FINANCIAL TIMES

World Business Newspaper http://www.FT.com FRIDAY APRIL 17 1998

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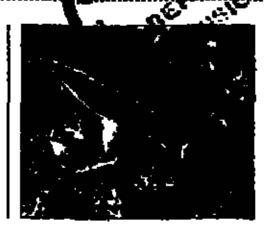

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The answer may lie in the Ecuadorean tree frog
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Big business behind political parties
Page 2

Chirac urges cuts in tax and spending as euro nears

French president says country must adapt to make success of Emu

By David Owen in Paris

Jacques Chirac, the French president, said yesterday that national taxes and public spending were too high and reforms were essential if France was to prosper in the age of the single European currency.

In a rare press conference at the Elysée Palace, Mr Chirac acknowledged that many people feared the consequences of the new currency and closer European integration. But he told them that their fears were "unfounded or excessive".

In remarks that appeared to distance him from his Socialist-led government, the Gaullist Mr Chirac said the French public service needed an overhaul and that taxes should be cut to help entrepreneurs.

"We also have our handicaps and the French people know it – too much public spending, too much tax, too much bureaucracy. This is why we cannot make a success of Europe without adapting," he said.

The French president also underlined his continuing support for the candidature of Jean-Claude Trichet, governor of the Bank of France, as president of the future European Central Bank.

The other leading candidate for the ECB job is Wim Duisenberg of the Netherlands, who had seemed a virtual certainty until France's surprise nomination of Mr Trichet last autumn.

Mr Chirac said it was preferable, but not essential, that a satisfactory solution to the presidency be found by May 2, when the formal decision on which European Union countries will join the euro will be taken.

He also launched a stinging attack on Sir Leon Brittan, the EU trade commissioner, for – as he saw it – embarking on a personal initiative to try to negotiate a free trade zone between Europe and the US without a mandate.

He said the subject would not be on the agenda at a US-EU summit expected before the summer.

Mr Chirac's remarks came after the strong showing by the far right and heavily eurosceptic National Front in France's recent regional elections.

This result helped to underline that much of the French population continues to have misgivings about a stronger European Union.

A similar message of reassurance is likely to be offered next week by Lionel Jospin, the Socialist prime minister, at the start of a parliamentary debate on the single currency that is likely to highlight divisions on Europe in the ruling left-wing coalition.

The Communists and the so-called Citizens' Movement (Mouvement des Citoyens) of Jean-Pierre Chevènement, the interior minister, may both vote against the resolution, although the Greens yesterday indicated that they would probably back it.

Earlier this month, the Communists voted against legislation changing the statutes of the Bank of France to prepare for the single currency. The debate will begin on the anniversary of Mr Chirac's announcement of a snap parliamentary election in which his right wing coalition lost its majority.

Since then, Mr Chirac has had to play second fiddle to Mr Jospin's surprisingly sure-footed left-wing administration.

The French president emphasised yesterday that he and Mr Jospin saw eye to eye on Europe.

"France's commitment to Europe has transcended partisan quarrels and political splits," he said.

French president Jacques Chirac acknowledged at a news conference in Paris that many feared the consequences of the single currency and closer European integration but said their worries were unfounded. Picture Reuters

GKN in helicopter merger talks with Agusta

By Alexander Nicoll in London

GKN, the UK engineering group, is discussing a merger of its Westland helicopter subsidiary with Agusta, the helicopter manufacturer owned by Finmeccanica, the Italian state-owned industrial conglomerate.

Combining two of Europe's three remaining helicopter makers would create a force with a joint orderbook of $8.5bn, putting it on a par with rivals in the US and Eurocopter, the Franco-German consortium.

It would be the latest step in the rationalisation of the defence industry being urged by European governments following cuts in their weapons spending since the cold war ended.

A joint statement by GKN and Finmeccanica said: "It is important for the competitiveness of the European helicopter industry that it participates in the consolidation of the aerospace and defence industry."

They said they had signed a memorandum of understanding under which they would have exclusive negotiations for the establishment of an "alliance of equals" between the helicopter divisions in early 1999. David Turner, GKN finance director, said: "One of the possibilities would be that it ends up as a merger."

The companies were using cautious language because they had to negotiate terms and did not want to pre-judge their shares and the make-up of a combined venture, he said. Alenia, another defence subsidiary of Finmeccanica, is close to a deal with GEC-Marconi of the UK on a wide-ranging joint venture, and is also in talks on a link-up with British Aerospace.

Westland and Agusta are partners in producing the EH101, a much-delayed military helicopter ordered by Britain, Italy and Canada. Agusta is also developing a European transport helicopter with Eurocopter.

The alliance could set the stage for further consolidation among the western world's helicopter makers, with the industry believing the US market is not large enough to support three manufacturers – Boeing, the Bell Helicopter unit of Textron, and Sikorsky of United Technologies.

Aerospatiale of France and Daimler-Benz of Germany, owners of Eurocopter, have been pressed by their governments to rationalise Europe's aerospace and defence industry. They and British Aerospace last month produced a response believed to be short on specifics.

The need for companies to have sufficient "critical mass" to produce value for money in military purchases could result in pressure to create a single European helicopter maker after any Westland and Agusta alliance.

"Westland and Agusta have highly complementary product portfolios," the companies said, with the EH101 programme providing "a sound commercial platform for a closer alliance".

The City responded well, with GKN's shares up 32p to £16.35.

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Flying into top league, Page 23

Cendant shares dive over 'potential irregularities'

By John Authers in New York

Shares in Cendant, the acquisitive US direct marketing company, fell 47 per cent in early Wall Street trading yesterday, as dealers reacted to news that the company had found potential accounting irregularities that could reduce last year's profits by more than $100m.

More than 85m shares in the company were sold within 90 minutes of the market opening, double the volume of the next most heavily traded stock. By mid-session, Cendant's shares had dropped by 16\frac{11}{16}$ to 19\frac{1}{16}$. At the beginning of last week, the share price stood at almost $40.

Cendant is in the middle of a $3.1bn purchase of American Bankers' Insurance and an £801m offer for National Parking Corporation of the UK. Dealers said the company's agreement to buy ABI of Miami, in an all-stock deal, could be in jeopardy. American Bankers' shares dipped almost 10 per cent in morning trading, down $6¼ at $58⅝.

Cendant's announcement late Wednesday suggested last year's profits would only need to be reduced by 10 per cent and that it would meet its consensus forecast for the current quarter.

The problems follow last year's $11bn merger of HFS, the franchising company with holdings in hotels, car hire and real estate brokerages, with CUC International, a direct marketing company with discount and membership schemes. They relate to CUC's membership business.

Henry Silverman, Cendant's chief executive and former chief executive of HFS, said: "Our businesses are very healthy and growing, but we're growing off a lower base than we had been previously led to believe by certain members of the former CUC management."

Cendant's audit committee has engaged a special legal counsel to explore litigation against certain former CUC executives, and has also appointed Arthur Andersen, the auditors, to undertake an independent investigation. This is likely to take a matter of weeks.

Immediately before the announcement on Wednesday, Furman Selz, BT Alex. Brown, and Morgan Stanley Dean Witter rated it a "strong" buy, while the stock appeared on Goldman Sachs' US recommended priority list.

All these companies yesterday moved to a neutral rating on Cendant. Merrill Lynch downgraded it from "buy" to "long-term accumulate".

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WORLD NEWS

Communists warn Yeltsin they will vote again to block Kiriyenko as PM

Russia's Communist party confirmed its deputies would oppose President Boris Yeltsin's appointment of Sergei Kiriyenko as prime minister in a vote today in the lower house of parliament. The Duma has rejected Kiriyenko once and if it fails three times to confirm Mr Yeltsin's nominee, he can dissolve the house. **Page 2**

Cambodian killer Pol Pot is dead
Pol Pot, genocidal killer of as many as 2m countrymen, was pronounced dead in the Cambodian jungle, surrounded by remnants of his Khmer Rouge guerrilla force. **Page 6; Icons of evil, Page 16**

IMF told to reduce secrecy
The International Monetary Fund must become less secretive and more accountable to the public, finance ministers were told at the IMF's spring meeting. **Page 18; Tea leaves in Jakarta, Page 17**

Boeing fuel wiring checks urged
More than 1,100 Boeing 737 aircraft in the US need to improve the safety of fuel gauge wiring to prevent electrical surges and short circuits in fuel tanks, the Federal Aviation Administration said.

Solidarity opposes coal cutback
The Solidarity mining union attacked plans by the Polish government to return Europe's largest remaining coal industry to profit by cutting jobs by almost half and reducing output. **Page 3**

Spain's defence chief under fire
Spain's third biggest party in parliament, the Communist-led United Left, called for the dismissal of defence minister Eduardo Serra over alleged phone-tapping by the Cesid intelligence agency against a Basque political party. **Page 3**

EU tobacco ad ban on course
Plans for a European Union-wide ban on tobacco advertising are likely to be backed by a key European Parliament committee in spite of a challenge saying a ban has no basis in EU law. **Page 2**

CDU proposes social overhaul
German chancellor Helmut Kohl's Christian Democratic Union unveiled an election agenda that would overhaul social traditions by encouraging profit-sharing and funded pension schemes, and reining back the state. **Page 2**

Turkey reopens Çiller probe
Turkey's parliament voted to open a fresh investigation into alleged irregularities in the recent accumulation of wealth by former prime minister Tansu Çiller. **Page 2**

Troops clash with Kashmir rebels
Indian troops cordoned off two villages in Kashmir and exchanged gunfire with Muslim rebels. Police said 16 guerrillas, three soldiers and two civilians were killed.

UK set to act on detention centres
UK ministers were set to introduce regulations for immigration detention centres after a report condemned them as "unsafe". The number of asylum seekers in the UK rose from 2,000 in the 1980s to 32,500 last year. **Page 7; Editorial Comment, Page 17**

Norman shares economics prize
Peter Norman, Bonn correspondent of the Financial Times, is joint winner of the 1998 Ludwig Erhard Prize, awarded in memory of the German politician for distinction in practising or commenting on economic policy. He shares the honour with Karel Van Miert, European Union commissioner.

BUSINESS NEWS

Credito Italiano merger plan signals trend ahead of Emu

Credito Italiano, one of Italy's leading commercial banking groups, plans to merge with Unicredito, a savings institution with strong roots in northern Italy. The scheme is one of the most important signs of consolidation in Italian banking as the country approaches economic and monetary union. **Page 19; Lex, Page 18**

The profits of US companies have been substantially overstated because of a failure to reflect the cost of granting stock options to employees, according to London-based research group Smithers & Co. **Page 19**

Credit Suisse, the second biggest Swiss bank, is closing its Credit Suisse private banking operations in the US and Canada because it has not been able to generate enough business. **Page 23**

GKN Westland's alliance with Agusta is the latest sign of how Finmeccanica, Italy's state-controlled defence and industrial conglomerate, is restructuring in the face of competition. **Page 23**

Deminor, the Brussels-based corporate governance consultancy, is demanding a further independent valuation of Belgium's biggest merger this year between Cera Bank, Kredietbank and ABB Insurance. **Page 22**

Iberdrola, the Spanish electric utility, says it expects to be chosen by the Portuguese government as a partner for EDP-Electricidade de Portugal, the state-controlled power group. **Page 22**

Alcan Aluminium, the Canadian producer, posted first quarter earnings of US$128m, or 55 cents per share, following stronger sales in Europe and the US which offset weak demand in Asia. **Page 20**

Nine Japanese financial institutions have closed in Hong Kong in the wake of the Asian financial crisis, and more closures are expected under Japan's Big Bang. **Page 6**

General Motors and Chrysler are planning to follow Ford into the Philippines, where the vehicle maker is to build a $100m integrated assembly plant. **Page 3**

Merck, the US pharmaceuticals company, reported net income of $1.16bn, up 14 per cent from the first quarter of 1997, driven by volume gains in established and newer drugs. **Page 20**

PolyGram, the Dutch entertainment group, is raising $650m by selling bonds backed by the cashflows of future films. **Page 19**

Taiwan begins selling shares in state-owned Taipower early next year and plans to complete its privatisation by June 2001. **Page 6**

Catastrophes cost insurers $6.7bn in 1997, down by half in inflation-adjusted terms from 1996, according to insurer Swiss Re.

Canadian financial stocks have climbed to new highs amid bank consolidation speculation. **Page 5; World stocks, Page 38**

Brazil's central bank has cut its base lending rate to 23.25 per cent a year from 28 per cent. **Page 5**

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
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WORLD MARKETS

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	9,076.32	(–85.98)
NASDAQ Composite	1,157.89	(–5.37)
Europe and Far East		
CAC40	3,845.94	(–38.67)
DAX	5,324.14	(–1.18)
FTSE 100	6,002.0	(–72.1)
Nikkei	15,883.77	(–415.53)
US LUNCHTIME RATES		
Federal Funds	5.5%	
3-mth Treas Bills: Yld	5.019%	
Long Bond	103$\frac{3}{8}$	
Yield	5.867%	
OTHER RATES		
UK: 3-mo Interbank	7$\frac{1}{2}$%	(same)
UK: 10 yr Gilt	110.75	(110.968)
France: 10 yr OAT	104.55	(104.49)
Germany: 10 yr Bond	108.23	(108.18)
Japan: 10 yr JGB	109.75	(109.83)
NORTH SEA OIL (Argus)		
Brent Dated	$13.91	(13.375)

GOLD		
New York Comex		
(Apr)	$308.0	(307.1)
London:	$307.75	(307.45)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.69225	
DM	1.80675	
FFr	6.06	
SFr	1.5061	
Y	131.63	
London:		
£	1.6924	(1.686)
DM	1.8078	(1.797)
FFr	6.0591	(6.0259)
SFr	1.5045	(1.491)
Y	131.785	(129.33)
Tokyo Close		Y 130.85
Sterling		
DM	3.0591	(3.0279)

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WORLD NEWS

EUROPE

CDU plans social market overhaul

By Ralph Atkins and Lucy Smy in Bonn

Chancellor Helmut Kohl's Christian Democratic Union yesterday unveiled an economic agenda for September's federal election that would overhaul significantly Germany's social market traditions. It proposed boosting profit-sharing, encouraging funded pension schemes and reining back the state.

Matthias Wissmann, the CDU's economic spokesman, called for a "renaissance of the social market economy". Instead of supporting a traditional "alliance for work" between unions and business to tackle mass unemployment, he called for "an alliance for hard-workers" that would see profit-sharing measures offered in wage negotiations in compensation for pay freezes. Such schemes are not widespread in Germany. Mr Wissmann also wanted a further stimulus for venture capital.

The CDU pledged to reintroduce plans for tax cuts worth DM30bn ($16.6bn), which have been blocked by the opposition Social Democrat-dominated Bundesrat, or second chamber. Basic rate income tax would fall from 25.9 per cent to 15 per cent; the top rate from 53 per cent to 39 per cent. The party has set a goal of reducing the state share of national income to 46 per cent of gross domestic product by 2000, reversing rises caused by unification. On social welfare, the CDU said funded schemes should enhance the existing pay-as-you-go pension system.

The plans reflect attempts by a younger generation of CDU leaders, including Mr Wissmann, to carve the party a market-orientated identity clearly distinguishable from that of the Social Democrats. The CDU is trailing in opinion polls behind the SPD which today is expected at a Leipzig rally to back overwhelmingly Gerhard Schröder, prime minister of Lower Saxony, as its candidate for chancellor.

Mr Wissmann said the SPD, which has proposed only a 4 percentage point cut in top rate income tax, was more interested in redistributive policies and would hit Germany's many job-creating medium and small family companies with additional burdens. However, the CDU continues to be dogged by rows over plans to raise taxes on energy which were floated initially by Wolfgang Schäuble, the CDU's parliamentary leader.

Mr Wissmann insisted any energy tax reform would have to be part of European harmonisation moves and "within the context of substantial overall tax cuts".

But Hans-Olaf Henkel, president of the German industry association (BDI), warned the debate had become irrelevant and damaging. Any plans to raise taxes would be mistaken in the battle to fight unemployment.

Meanwhile, the liberal Free Democratic party, junior member of Mr Kohl's ruling coalition, proposed a 35 per cent top rate of income tax and a cap on the maximum proportion of incomes that could be taken in taxation.

Kiriyenko nomination likely to be opposed again

By Charles Clover in Moscow

Russia's Communist party confirmed yesterday that its deputies would oppose the appointment of Sergei Kiriyenko as prime minister in a vote today in the Duma, the lower house of parliament.

Gennady Zyuganov, leader of the Communist party, the largest faction in the Duma, announced his decision after meeting Mr Kiriyenko for several hours behind closed doors.

Mr Zyuganov said his deputy had informed Boris Yeltsin, the president, of the party's decision.

"We told the president that we cannot vote for someone who has no programme, no clear position, and not enough experience," Mr Zyuganov said. He added that the Agrarian party and the People's Power group, which are allied with the communists, would also vote against Mr Kiriyenko.

Their votes, combined with those of the Communists and the powerful Yabloko party, which is also opposed to Mr Kiriyenko, would be enough to foil the nomination, which must be confirmed by 226 of the 450 members of the Duma.

Last Friday the Duma voted for the first time not to confirm Mr Kiriyenko, who is Mr Yeltsin's choice for prime minister.

If the Duma fails three times to confirm Mr Yeltsin's nominee, the president has the right to dissolve the body and hold new elections.

The Duma will first vote tomorrow on whether to hold an open or closed ballot on Mr Kiriyenko's appointment. Analysts said the result of the initial vote would have a critical influence on the vote on Mr Kiriyenko.

A secret ballot would allow deputies who fear losing their seats in an election to break ranks from the public positions of their parties and confirm Mr Kiriyenko.

"If it is a secret vote, Mr Kiriyenko can be confirmed. If it is an open vote, he will not be," said Andrei Fedorov of the Moscow-based Council on Foreign and Defence Policy.

Separately, the Duma overwhelmingly voted to pass the first reading of a new tax code, one of the most important and controversial pieces of legislation this year.

The result puts Mr Yeltsin in an awkward position. If he decided to dissolve the Duma, he would would effectively put put the tax code legislation back to square one.

EU advertising ban on tobacco still on course

By Neil Buckley in Brussels

Plans for a European Union-wide ban on tobacco advertising are likely to be backed by a key European Parliament committee next week – in spite of a legal challenge yesterday arguing the ban had no basis in EU law.

The European parliament's legal affairs committee voted 12-7 to reject the ban's legal base, in the latest potential setback to a directive dogged by controversy.

The directive, aimed at phasing out tobacco advertising and sponsorship by 2006, was agreed in principle by ministers in a compromise last December, but must be approved in a second reading by the European Parliament in May. But the parliament's environment committee preparing the report on which the full assembly will vote is not expected to accept the legal affairs committee's opinion.

"I don't think it is going to change many minds," said Ken Collins, UK Labour chair of the environment committee. "The committee's interest historically has been to see a ban in place."

The environment committee will vote on its report next week on the same day it meets Tessa Jowell, UK public health minister, whose short-lived plans last autumn to exclude Formula One racing almost torpedoed the EU deal.

But the legal affairs committee vote reflects growing legal opposition to the ban. Germany, one of four countries which opposed or abstained in December's vote, has said it may challenge the directive in the European Court of Justice.

The Confederation of European Community Cigarette Manufacturers, the tobacco lobby, yesterday unveiled its own legal adviser's opinion, arguing the directive was ill-founded. The Council of EU ministers' legal service challenged its status as long ago as 1993, although it did not raise objections when accord was reached last December.

The dispute centres on the use of Article 100a of the EU's governing treaty, which provides a basis for measures designed to complete the EU single market. Opponents say this is an inappropriate base for a measure whose main aim is to protect consumer health.

However, EU legislators have few other legal bases for a ban. The article referring to the EU's duty to "ensure a high level of human health protection" simultaneously excludes harmonisation of health laws across EU states, on the grounds these are a national responsibility.

Parliament votes for new probe of Çiller's wealth

By Kelly Couturier in Ankara

Turkey's parliament voted yesterday to open a new investigation into alleged irregularities in the recent accumulation of wealth by the former prime minister, Tansu Çiller.

The vote opens the way for corruption charges against Mrs Çiller (pictured above) to be sent to the Supreme Court.

The 550-seat assembly accepted with a majority show of hands the proposal to set up a commission to investigate increases in the Çiller family assets between 1991 and 1996.

"An illegal, immoral and exorbitant increase can clearly be seen," read the motion, which was backed by the ruling Motherland Party of the prime minister, Mesut Yilmaz, a bitter political rival to Mrs Çiller.

The other two ruling coalition parties, the Democratic Turkey party and the Democratic Left party, also supported the motion.

Mrs Çiller, who was Turkey's first woman prime minister between 1993 and 1996, and her husband, Ozer Çiller, own companies and property both in Turkey and the US estimated to be worth many millions of dollars.

Mrs Çiller, a US-educated economist, has been cleared of corruption in several previous parliamentary probes.

But her parliamentary support has dropped sharply since her days in government, due in part to the alliance between her secular True Path party and the Islamist Welfare party in a short-lived government that collapsed last summer. Mrs Çiller had previously vowed to be a bulwark against the Islamists.

Her decision to form a partnership with the Welfare party infuriated Turkey's secular establishment, including the powerful armed forces. Mrs Çiller earlier rejected the allegations of irregularities.

Money joins Serbs' list of shortages

By Guy Dinmore in Belgrade

The clerk in a deserted and dusty Belgrade branch of Slavia Banka threw up her hands and laughed. "No money, no money," she said.

Long accustomed to various kinds of shortages, Serbs are now experiencing a serious shortfall of local currency. The reason – a tight monetary policy adopted by the central bank to curb inflation triggered by a sharp devaluation of the dinar, the Yugoslav currency, on April 1.

Even Beobanka and Beogradska, the big banks, had no dinars to exchange for hard currency on Wednesday. Black market dealers were also out of pocket.

By Thursday the crisis had eased slightly. In the burnished atrium of Komercijalna Banka, said to be favoured by the ruling elite, clerks counted bundles of newly delivered notes.

Just over four years ago, with inflation raging at thousands of billions per cent, Serbs needed bags of banknotes for a simple shopping trip. Economists hope the Socialist-led government of President Slobodan Milosevic has learned from that crisis, which destroyed the Yugoslav banking system. "The governor of the National Bank of Yugoslavia [NBJ] has given me his word of honour that he would no longer give in to the pressure from politicians and tolerate money printing," said Vojin Djukanovic, a federal deputy prime minister.

Economists are not so sure. They recall that Dusan Vlatkovic, the central bank governor, oversaw in 1991 and 1992 a period of mass printing of dinars. He allowed banks to operate pyramid schemes that collapsed with losses of hundreds of millions of dollars.

Mladjan Dinkic, of the Belgrade Economics Faculty, forecasts inflation will exceed 60 per cent this year, against an official target of around 25 per cent. If the international community imposes further sanctions on Yugoslavia later this month – in response to the Serbian police crackdown on ethnic Albanian separatists in Kosovo province – then the crisis will worsen.

Leaders of Serbia's largely ineffectual trade unions are warning of social unrest. The average monthly wage, when paid at all, is worth less than $90. Several thousand workers of the Zastava weapons factory protested in the central town of Kragujevac on Wednesday because they had not yet received their January wages.

Inflationary pressures are building. Although the dinar was devalued by 45 per cent to 6 to the D-Mark, an officially sanctioned dual rate of 6.3 already exists. State-run banks offer a 5 per cent discount on petrol and electricity bills for customers with foreign exchange.

The central bank has tried to build up its foreign exchange reserves by demanding that commercial banks raise mandatory deposits with the NBJ. Diplomats say Société Générale, the only foreign institution with a majority shareholding in a Yugoslav bank, is reconsidering its future after being told to deposit a further $2m.

Ukraine's businessmen – a new political class

The interests of some recently elected MPs mean they could oppose changes sought by the IMF, Charles Clover writes

Many people would say that Serhiy Rys has a conflict of interests. The owner of Ukraine's largest oil tank farm, he is also a leading member of theenvironmentalist Green party.

Mr Rys makes little attempt to hide the fact that the Green party, which won 19 seats in the election in March, is simply a front for big business interests.

His own Shelton trading company handles 5 per cent of the oil products trade in Ukraine and owns Ukrinbank, the country's seventh biggest bank. His main priority for parliament is land reform. "Land reform is good for the environment, but it is also a way to raise collateral from farmers, who are the major customers of my company," he says.

Mr Rys is an example of a new political class of 150 Ukrainian businessmen and bankers who won seats at the election. Many people accuse them of pillaging the economy during Ukraine's six-year existence as an independent state.

But the Ukrainian government is counting on the businessmen to form the bulwark of opposition to the left wing, which increased its representation to 40 per cent of the seats against 25 per cent in the outgoing parliament.

"The businessmen will oppose the left wing and become the support base for much-needed economic reforms," says Serhiy Tyhypko, Ukraine's deputy prime minister for economic reforms.

But some analysts doubt that what is good for these businessmen is good for Ukraine as a whole. They draw parallels with the situation in Russia, where business barons treat their country as a personal fiefdom.

Ukraine's Social Democratic Party-United, which won 17 seats, features on its list many members of the Slavutish company, which accounts for 20 per cent of Ukraine's oil products trade and 15 per cent of the sugar trade.

Hromada (Community), a party which won 23 seats, was founded by Yulia Timoshenko, the president of United Energy Systems, a natural gas trading company, which in 1996 had a turnover of over $1bn (£600m).

Many people say that the Communist party's success last month was mainly due to citizens' anger at the excesses of capitalists who have made vast fortunes from the country's disarray.

Ukraine's cash-starved economy is at present run by monopolistic trading companies which import energy, such as gas and oil products, and barter them for finished export goods from farms and factories, often on heavy terms. Last year, the amount of barter in the economy was equal to two-thirds of the country's GDP.

At the same time, an estimated $20bn-$30bn has been spirited out of the country to bank accounts in Cyprus and Switzerland since Ukraine gained its independence in 1991.

"We have elected a parliament, half of whom are simply seeking immunity from prosecution," complained a front page article in Zerkala Nedelya, a respected Kiev newspaper, referring to a law which grants MPs special legal status.

The tide of businessmen coming into parliament has had a mediating effect on the left, which, having fallen short of a majority, will need to form a coalition with centre parties in order to be an effective force in parliament.

At a press conference last week, for example, Peter Simonyenko, head of the Communist party, took a brief break from blasting "criminal capital" to express his sympathy for enterprise bosses who thought taxes were too high.

Economists predict that the business community in parliament will support the economic reforms which the government is trying to introduce.

Since 1991, Ukraine's GDP has contracted by one third, because of the difficulties of transition from a centrally planned economy.

The key to turning this situation around, economists say, is a series of reforms, such as cutting taxes, privatisation, banking reform, and deregulation, which are the conditions of an International Monetary Fund programme Ukraine hopes to sign soon, in exchange for a credit of some $2.5bn over three years.

But the new MPs' business interests mean that they are likely to oppose other reforms suggested by the IMF.

The IMF wants Ukraine to pass laws limiting banks' lending to shareholders, and to create a centralised treasury system, which will mean that commercial banks no longer get to manage government deposits.

Some observers see the decision of business people to enter parliament in terms of an effort to change the business environment to their advantage.

"It used to be that Ukraine's businessmen were only interested in exporting raw materials and setting up Swiss bank accounts," said Valentyn Dzoba, an analyst at the Atlantik East brokerage. "But now they see it is possible to make money in Ukraine, and they need to create conditions to do it."

But the new MPs have achieved this political influence only by ignoring serious questions about their ability to make decisions in the public interest.

The government appears equally unprepared to address the issue.

"I don't wish to say that Ukraine should be run by businessmen," says Mr Tyhypko. "It should be run by politicians who wish to serve their country."

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NEWS DIGEST

ITALIAN POLITICS

Cabinet set to approve outline budget today

The Italian cabinet will today give final approval to its outline budget for 1999, amid growing expectations that it should achieve preliminary approval in parliament before the end of this month. Although there have been doubts in recent days about whether Italy's Reconstructed Communists will approve the draft budget, the party's economics spokesman, Nerio Nesi, said: "We will vote for it."

The document should be passed by parliament's budget commissions before the end of this month. This would give a strong indication to a European Union heads of government summit on May 2-3 that Italy will approve the budget later in the year. **James Blitz, Rome**

SCHENGEN ACCORD

Sweden votes to join zone

Sweden's parliament last night paved the way for the country to join the Schengen accord, the border-free zone which links most European Union states. After a seven-hour and at times heated debate, parliament voted by 231 votes to 39 to ratify an earlier treaty upgrading Sweden's formal observer status to full membership.

Sweden had initially remained outside Schengen for fear it would compromise its frontier-free passport zone with its fellow Nordic countries Denmark, Finland, Norway and Iceland. But this objection was subsequently overcome when Norway and Iceland – both non-EU members – were offered associate membership of Schengen. Denmark and Finland, which are Schengen observers, are also preparing to join in full.

Yesterday's debate pitted Eurosceptic deputies from several parties against the Social Democratic government, supported by the main opposition conservative Moderate party.

Opponents of Swedish participation in the zone, which currently has nine full members, said in the debate that they feared the abolition of passport controls would trigger an influx of illegal drugs into Sweden. They warned it could lead to increased crime as well as to the creation of a federal state – a charge sternly rejected by government politicians. **Greg McIvor, Stockholm**

RUSSIAN SECURITIES

Share investigation opened

The Russian federal securities commission said yesterday it had opened an investigation into an alleged attempt to issue foreign-trading derivatives of locally traded shares in Gazprom, the natural gas monopoly. Gazprom earlier said Deutsche Morgan Grenfell was preparing to launch a new derivatives programme, which Deutsche Bank denied.

A senior official at Gazprom's financial consultant Gorizont said Gazprom wanted any existing scheme investigated as well and had asked the government to review the matter. Gazprom has tried to keep separate foreign and local markets for its shares.

A 1997 presidential decree generally limits new foreign acquisitions of Gazprom shares to American Depositary Receipts, which are traded abroad. Foreigners cannot buy locally traded shares, which trade at about half the price of the ADRs. But shares acquired by foreigners before the decree face some exceptions and do not have to be sold.

"Deutsche Morgan Grenfell has a Gazprom derivatives structure which was launched two years ago. That programme still exists with the understanding of Russian authorities, and we believe it to be perfectly legal. We will be discussing the matter with Gazprom over the next few days," said a Deutsche Bank spokesman. **Reuters, Moscow**

GERMAN TELECOMMUNICATIONS

Government hails open market

Germany's new telecommunications companies already account for more than 2 per cent of the country's recently liberalised telecoms market, Günter Rexrodt, economics minister, said yesterday. Reviewing the first 100 days of full competition, Mr Rexrodt predicted the proportion would rise to 5 per cent by the middle of the year.

The relatively low figures highlighted a cautious reaction by German consumers. But the economics minister described the estimates as a "positive signal" and Mr Rexrodt said competition was in full swing with more than 50 licensed telecom service providers. Prices for long-distance calls have fallen by up to 70 per cent. **Ralph Atkins, Bonn**

BOSNIAN CONFLICT

Serb deaths blamed on Croats

Canadian troops with Nato forces in Bosnia yesterday retrieved the bodies of an elderly Serb couple who had been knifed, beaten and shot by suspected Croat nationalists after returning to their former home near the western town of Drvar.

Vojin and Lela Trnic, found in the charred ruins of their house, were among about 1,000 Serbs who had returned to the Drvar area this year under an international programme to reintegrate Bosnia's ethnic communities. Alexander Ivanko, a UN spokesman in Sarajevo, condemned the murder as one of the worst incidents since the signing of the Dayton peace accord that ended the Bosnian civil war in 1995.
Guy Dinmore, Belgrade

DUTCH ECONOMY

Warning over labour shortages

Staff shortages might contribute to a slowdown in Dutch economic growth next year, the Central Planning Bureau (CPB) warned yesterday. The CPB described the labour market as "worrying". It predicted that expansion of the Dutch economy would slow to about 3 per cent next year, compared with 3.75 per cent this year, as a result of weaker growth in both domestic spending and exports.

Although the CPB said the creation of about 150,000 jobs this year should reduce Dutch unemployment rates to about 5.5 per cent, it added that the government and employers should take measures to tackle a shortage of qualified personnel in the labour market. **Barbara Smit, Amsterdam**

SLOVAK BALLOT

Presidency still unfilled

The Slovak parliament yesterday failed again to elect a president, leaving it increasingly likely that the country will enter contested elections in September without an elected head of state. In the first ballot of the third round, no one won the three-fifths vote required and the ballot will be repeated on April 30 with the two top candidates, who will then be disqualified if neither is elected.

Yesterday for the first time a candidate from the ruling Movement for a Democratic Slovakia, deputy Milan Secansky, stood for the post. However, he received only 59 votes, fewer than the 81 seats held by the governing coalition and well under the 90 votes required. **Robert Anderson, Prague**

EUROPE

PRESIDENTIAL VOTE KLESTIL'S TACTICS

Far right's shadow over Austria poll

By Eric Frey in Vienna

If Thomas Klestil is elected for a second six-year term as Austria's federal president on Sunday, as opinion polls predict, the far right Freedom party will have moved a small step closer to taking power.

In this campaign, Mr Klestil, standing as an independent, has abandoned his earlier distance from the party, calling it a "democratic force firmly grounded in the constitution". He has indicated that he might accept a government that includes Jörg Haider, leader of the Freedom party, after parliamentary elections next year.

He has indicated he may accept a government that includes Jörg Haider

Since he took over the Freedom party in 1986, Mr Haider has increased its share of the vote in nearly every national or regional election, boosting it from 5 to about 25 per cent. If this trend continues, the Freedom party might challenge the Social Democratic party, which has governed the country alone or in coalition for the past 28 years.

Mr Klestil's change of approach towards the Freedom party has come as a surprise to those who remember him as an opponent of Mr Haider's xenophobic and anti-European policies. Mr Klestil, elected in 1992 as the candidate of the conservative People's party, has twice intervened to stop Wolfgang Schüssel, vice chancellor and People's party chairman, from making a deal with Mr Haider.

These episodes convinced Chancellor Viktor Klima's Social Democrats not to nominate a challenger against Mr Klestil, a 65-year-old former career diplomat, and to suggest that their sceptical members vote for the incumbent.

This decision has upset some rank and file members among the Social Democrats. "Nobody is happy with the party's decision" not to nominate a candidate, says Karl Ehrlich, the party secretary in Ottakring, a working-class district of Vienna. "I cannot vote for Klestil. Look, he would not even mind making Haider chancellor." The party leadership is more sanguine about Mr Klestil's overtures to the Freedom party.

Mr Klestil is expected to distance himself from Mr Haider after the election. Mr Klima seems to assume the People's party will stay in the coalition after 1999 and continue to keep Mr Haider out of power.

Mr Klestil's campaign tactics seem to have paid off so far. Courting Mr Haider has not hurt his standing in the polls, which give him around 60 per cent support.

Mr Klestil's main challengers are two candidates who both vie for urban centre-left votes. Heide Schmidt, a former Haider confidante who broke away five years ago and founded the Liberal Forum, and Gertraud Knoll, a protestant bishop who is supported by some Social Democrats and Greens, both say they will use all the presidential powers to keep Mr Haider from office.

However, neither Ms Schmidt nor Ms Knoll is likely to score more than 15 per cent of the vote. Only an upset could push Mr Klestil below 50 per cent in the first round and force him into a run-off ballot.

Solidarity union hits at coal reforms

By Christopher Bobinski in Warsaw

Poland's Solidarity mining union yesterday attacked government plans to return Europe's largest remaining coal industry to profit by cutting the number of jobs by almost half and reducing output by a fifth by 2002.

The government wants the European Union to fund part of the cost of the job reduction programme. The government unveiled the plan 10 days before Christos Papoutsis, the EU's energy commissioner, visits Poland.

The plans contain proposals for redundancy payments worth 4.5bn zlotys ($1.3bn) over five years for about 70,000 of the 240,000 miners employed in the state-owned industry. The government assumes that another 36,000 miners will retire of their own accord over the next four years. The coalition government of Solidarity Electoral Action (AWS) and the pro-business Freedom Union (UW) also wants to freeze real wages in the industry until 2002.

But the Solidarity union, which supported the AWS in elections last autumn, said the proposals had not appeared in the party's manifesto. "This is not the Solidarity Electoral Action programme," said Karol Luzniak, the Solidarity miners' leader.

The Solidarity miners want to see the pace of the job cuts slowed. They have asked their national trade union to enter into a formal dispute with the government on the terms of the mining restructuring package.

They can expect to be backed by the Polish Union of Miners (PUM), which supports the opposition former communist Left Democratic Alliance (SLD). The PUM has already called on the government to block coal imports and halt plans to sell pits to foreign investors.

Last year Poland produced 137m tonnes of coal, of which 37m tonnes was exported. The industry made a net loss of 1.8bn zlotys.

The coal mines are currently burdened with debt of 11.3bn zlotys, of which the government wants to write off about 7bn zlotys under the new programme. The government plan assumes that the industry will return to profit by 2000, with output cut to 110m tonnes with the loss of 72,000 jobs.

Yesterday Jerzy Markowski, an SLD senator, said the plan would be "disastrous" for the industry. Mr Markowski was responsible for the coal industry under the previous government and won the largest number of votes in Katowice in the last election.

Under the government's plans, output would be reduced to 90m tonnes in 2010 and the number of jobs would be cut to 77,000.

Czechs feel they must run to catch foreign investors

After earlier dismissing incentives, Prague is now putting together measures to make up for lost time; writes **Robert Anderson**

The government of the Czech Republic, having once dismissed investment incentives as an unnecessary interference with market forces, is at last putting together a package to attract foreign investors.

"The times have changed," says Ales Musil, an adviser to Karel Kuhnl, the minister for trade and industry. "Investors are going elsewhere and we need long-term investment and know-how."

The former government of Vaclav Klaus, which collapsed in November, had relied on the country's headstart in the transformation process and its strong industrial base and supply of skilled labour to attract investors.

But in May last year doubts about the depth of restructuring in Czech industry and the capacity of the country to afford rapidly growing wages and consumer spending were confirmed when the currency was forced to devalue.

The Czech Republic had already begun to lag behind Poland and Hungary in attracting investment because of a deteriorating economy. But investors had also been deterred by the seedy reputation of the capital markets, and lost faith in the minority government's capacity to continue reform. In particular the country failed to attract many greenfield investments, especially mobile companies with high-technology and value-added production.

This year threatens to be worse. Jan Havelka, head of CzechInvest, the trade and industry ministry's export promotion arm, says: "The Czech Republic is facing a drop in FDI (foreign direct investment) for the third consecutive year. If we were fully competitive we would not need these incentives."

As the domestic economy slows while exports remain healthy, the importance of foreign investment has been highlighted. CzechInvest estimates that companies with foreign investment are responsible for half manufacturing exports.

Foreign investment can also compensate for the difficulty Czech companies have raising finance through the stock market or the debt-laden banks. Mr Havelka says: "FDI is the only reliable source of capital and know-how for the restructuring and modernisation of Czech industry." The ideological resistance to incentives was finally broken in the middle of last year when Mr Klaus's cabinet agreed to offer ad hoc incentives to try to attract Intel, the US computer chip manufacturer, and then General Motors, which was seeking to build a $300m engine plant.

Intel, which plans to build a $500m pentium chip plant, has still not made a decision but will return for further talks soon. However, Mr Havelka says the Czech Republic has lost the General Motors investment.

"Intel and General Motors started the whole process," he says. "After the news about the incentives came out the telephone never stopped ringing with company inquiries. Ad hoc packages are the way to hell. We had to produce an up-front transparent system and give investors the criteria in advance. It is not feasible to continue doing it on a case-by-case basis."

CzechInvest, which had long called for incentives, was told to produce a standard package which it could offer to investors. The incentives should then come into effect before the elections in June, although some will require the new parliament to pass enabling legislation and respective ministries will have to agree each relevant benefit.

However, the incentives apply only to newly established manufacturing plants of foreign or domestic companies in which more than $25m is invested over five years. And they are not as generous as those offered by Poland and Hungary.

Weston Stacey, the head of the US chamber of commerce in Prague, welcomes the plan but believes it is a missed opportunity. "The threshold level is too high," he says. "And by restricting it to manufacturing, they are missing a good chance to build up the services industry." There is also a lot of ground to make up before the Czech Republic restores its reputation among foreign investors. They point to what most regard as a sclerotic bureaucracy and customs system, and to weaknesses in commercial legislation and the courts.

"An investment incentive package alone is not going to do anything," Mr Stacey says. "It is only part of an overall programme. Investors want to see that the government is serious about cleaning up the whole business environment."

Czech Republic: come again

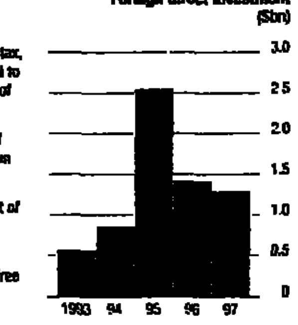
Skoda assembly line: early investment story

Motivating investment: proposed incentives

- Five-year postponement of corporate tax, then a full write-off or tax credit equal to the suspended amount. Depreciation of 25% a year for machinery.
- Aid for half the cost of re-training and grants for employing workers in certain regions.
- Free plots of land and aid for half cost of infrastructure installation.
- Remittance of custom payments on imported machinery and equipment; free trade zones for exporting companies.

Source: CzechInvest

Foreign direct investment ($bn)



Spanish scandal gathers pace

By David White in Madrid

Pressure built up yesterday against Eduardo Serra, Spain's defence minister, over a case of alleged illegal phone-tapping by the Cesid intelligence agency against the radical Basque political party Herri Batasuna.

The Communist-led United Left, the third biggest party in parliament, called for his immediate dismissal. The centre-right government's Basque and Catalan allies said they would wait for Mr Serra's explanations to parliament next Tuesday before passing judgment.

The main Socialist opposition demanded a "complete and exhaustive" statement on the case from José Maria Aznar, the prime minister. Government ministers rallied behind Mr Serra, trying to fend off what could be the first cabinet change since Mr Aznar's Popular party won power two years ago.

They refused to comment on a report that the eavesdropping plan had been submitted to the cabinet early last year.

Mr Serra earlier accepted responsibility but denied that he had any intention of resigning or that the case had caused a cabinet rift.

A complaint lodged by Herri Batasuna about phone-tapping at its offices in Vitoria, the Basque capital, has been followed by other reports of spying on its meetings.

Last December, 23 of the party's leaders were jailed on charges of collaborating with the Eta terrorist group.

The chief of Cesid, Lieutenant General Javier Calderón, offered his resignation earlier this month.

A scandal over eavesdropping by Cesid under the previous Socialist government in 1995, which involved telephone conversations of prominent figures including King Juan Carlos, cost the jobs of two senior cabinet ministers as well as the agency's head.

WORLD TRADE

GM and Chrysler follow Ford's Philippine path

By Justin Marozzi in Manila

General Motors and Chrysler are planning to follow Ford into the Philippines, where the US manufacturer is to build a $100m integrated assembly plant.

Representatives of GM and Chrysler are among a mission of 17 groups visiting the Philippines.

GM, which already sells some models to the domestic market, said the next phase was to go into vehicle manufacturing and parts production.

Chrysler, which set up a regional office in Singapore last year, said: "We are expanding aggressively in the region, including the Philippines."

The news is a fillip to the government, which tried unsuccessfully to persuade GM to establish its $750m regional hub in the Philippines in 1996, and is likely to boost investor confidence in the country.

Manila's approval of Ford's application to set up the plant in Laguna province outside the capital – which will produce Ranger pick-up trucks, Laser cars and Econovan commercial trucks – sparked an angry reaction from local manufacturers last month.

They said Ford was being offered more incentives than those available to domestic groups.

Ford will get a six-year income tax holiday, followed by exemption from income tax in return for a 5 per cent tax on gross income, in addition to tax breaks for staff training and value-added tax exemption on the import of capital equipment.

The issue was controversial because this was the first time that the incentives were provided for a manufacturer supplying the domestic market rather than an exporter.

Ken Brown, Ford's public affairs director for Asian markets, yesterday defended the incentives package and denied the group was getting special treatment.

"These incentives are available to everybody who makes a similar proposal," he said.

"Although we are selling primarily to the domestic market, we will more than offset that by exporting parts. We have adopted a target of exporting $3 of products for every $1 imported. That's not an unlevel playing field."

Earlier this week, Vicente Mills, head of the local chamber of automotive manufacturers, toned down his criticism of Ford's return to the country, saying he was seeking clarification with the Board of Incentives about "the exact nature of the incentives approved."

There have also been complaints from Columbian Motors, a local assembler that says Ford's Laser is similar to its Mazda 323. Ford says this situation is no different from that in many other countries and is playing down the likelihood of any legal challenge.

Ford left the Philippines amid the turmoil following the assassination in 1983 of Ninoy Aquino, the popular opposition leader. Its return, and the prospect of General Motors and Chrysler both establishing local manufacturing plants, is aimed at capturing market share from Japanese carmakers, which have dominated the domestic playing field in recent years.

New car manufacturers were unable to enter the country from the 1980s until 1995, thereby protecting the existing Japanese groups from increased competition.

Last year, Toyota had 22 per cent of the domestic market, Mitsubishi 21 per cent, Honda 12 per cent and Nissan 11 per cent. This compared with Ford on about 1 per cent, said Mr Brown.

"Five to 10 years from now, the Asian component of the global market will be much, much bigger, probably more than the US and Europe. If we haven't improved our Asian share from 1.5 to 2 per cent, we won't be the number two manufacturer in the world any more," he said.

Industry observers earlier expressed surprise about the timing of Ford's return to the country amid the fall-out from the Asian crisis – first quarter car sales slumped 47 per cent – but Ford says its investment is long-term.

Its plant is expected to begin operations in the third quarter next year.

Snag hits $5bn SA link to Maputo

By Victor Mallet in Johannesburg

A $5bn plan to develop the corridor linking South Africa's industrial heartland to the Mozambican port of Maputo hit a snag yesterday when a South African mining company said it had suspended coal exports on that route because of the high cost of rail transport.

Gold Fields Coal (GFC), which has pioneered South African use of the Matola bulk terminal at Maputo, said it was costing twice as much to send coal from its Witbank mines to Maputo as it was to the South African port of Richards Bay, even though Maputo was only three-fifths the distance.

Barbara Day, GFC's managing director, said it was extraordinary that GFC had been offered quotes to take the coal by truck to Maputo which were lower than the cost of sending it by rail. But using trucks was scarcely practical, she said, since GFC wanted to export 1m tonnes of coal a year via Maputo.

Last year, the company sent 150,000 tonnes to test the route and assumed that rates would fall as the volume of coal exports rose. Since then we've had a deafening silence from the rail authorities in terms of rates," she said.

The suspension will be a blow to the port of Maputo and to the ambitions of the South African and Mozambican governments for the corridor. Spoornet and CFM – the South African and Mozambican rail networks – are now likely to face political pressure to cut their rates to encourage use of the rail link.

Ms Day said she was prepared to resume coal shipments via Maputo, but only at a lower price.

It cost GFC about R85 ($16.87) per tonne in rail freight and port handling charges to export coal from Maputo, compared with about R42 per tonne from Richards Bay, she said.

Palestinians push ahead with export venture but potential may be stunted

By Judy Dempsey in Gaza

On the Gaza side of the Erez border crossing with Israel, Palestinian engineers are working round the clock to build the first phase of the Gaza Industrial Estate (GIE).

The $84.5m project which Tony Blair, UK prime minister, will raise in talks on Sunday with Benjamin Netanyahu, his Israeli counterpart, is one of the few Palestinian ventures Israel wants implemented, provided its security needs are met.

Financed by the World Bank, the European Investment Bank, the International Finance Corporation and the private Palestine Development and Investment Company, GIE will be the Palestinian Authority's first export-oriented industrial zone.

GIE offers the chance of alleviating some of Gaza's chronic unemployment, running at over 40 per cent, according to Bashir Rayes, GIE's marketing manager. Initially, he wants to attract labour-intensive industries such as textiles and food processing, even though water is scarce. "We will first target Palestinian, Israeli and regional investors," he said, adding that GIE could employ 20,000 on the site and a further 30,000 indirectly in ancillary services. Few donors, however, believe that figure is attainable.

Mr Rayes said he believed GIE would be in a strong position to attract investors, since wages in Gaza are low – about $500 a month – even though Israelis are already investing in Jordan and Egypt, where wages are well below Palestinian levels.

He was convinced that the Palestinian Authority, slow at pushing through investment legislation, would make it attractive for repatriation of profits, grants and other investment incentives.

Above all, GIE would give Palestinians the chance to market and export their own goods, free of the "Made in Israel" label. But such an aspiration will depend on the elaborate security arrangements Israel is putting in place at GIE.

Major General Yaakov Or, Israel's chief negotiator for GIE and co-ordinator of government activities in the occupied territories, said special X-ray machines capable of scanning containers on their pallets would be installed on the site. There would be just one inspection. Containers would be checked and sealed in the factories and go straight to the ports in Israel.

He conceded that GIE could partly solve unemployment, providing some economic stability for Gazans. But he also sees GIE as a way of getting round closures imposed by Israel on the West Bank and Gaza, since they would not affect employees at GIE. This would have the effect of saving jobs during closures, as well as weakening international criticism of Israel's closure policies.

But GIE raises as many questions as it attempts to solve. Donors say it will allow for the free movement of goods for export, but not the free movement of goods, or people, between Gaza and the West Bank, as agreed in the Oslo peace accords.

It is also unclear how imports through Israeli ports will reach GIE without the kind of delays and long Israeli checks to which they are at present subject.

Not surprisingly, some Palestinian officials, international donors and potential GIE investors are concerned that without a Gaza airport, port and safe passage, the industrial estate will never reach its potential of employing 20,000 people or attract foreign investment.

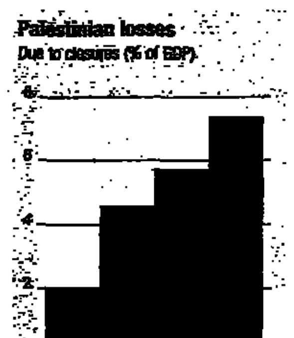
Some 25km away, near the Egyptian border, no agreement has still been reached on opening Gaza International Airport. Nor is there an agreement to operate the Gaza sea port, just 5km from the industrial estate.

No progress has been made for establishing a safe passage for people and goods between the West Bank and Gaza – crucial for the Strip's economic survival.

"The industrial estate cannot be a substitute for what was agreed in Oslo," said a senior Palestinian official. "If Israel believes it can use GIE as a distraction, it is making a big mistake."

Blair mission, Page 4

Palestinian losses
Due to closures (% of GDP)



BANGKOK TRANSIT SCHEME $2.5BN CLAIM AFTER CANCELLATION

Hopewell threatens to sue over lost profits

By William Barnes in Bangkok

The Hopewell group yesterday threatened to sue the Thai government for $2.5bn in lost profits and costs caused by the scrapping last September of its ambitious overhead road and rail system for Bangkok.

The government's action could alarm other potential investors in Thailand, warned Colin Weir, Hopewell (Thailand) project manager. "If it is so easy for governments to ignore contracts freely entered into, a very bad message is sent out indeed," he said.

The Hongkong infrastructure developer will go ahead with civil action to recover future lost profits and money already spent on the 30-year build-operate-transfer scheme if the government does not respond positively within two months.

Mr Weir held out an olive branch by proposing that Hopewell could go ahead with a trimmed down version of the scheme.

"The most sensible way forward is for us to sit down and renegotiate a new contract... The alternative is to spend years in court arguing, during which time no work will be done," Mr Weir said. "But if the government paid me the 100,000m baht now I would happily take the money and go," he added.

Any move to resurrect the scheme will require a foreign partner. However, Hopewell now feels that – given the lacklustre economic climate – it should have no more than a 50 per cent equity exposure to such a venture.

'If the government paid me the 100,000m baht now I would happily take the money and go'

The Hongkong company estimates it has already spent $600m in Thailand so any new partner will have to contribute at least as much.

A previous Thai coalition government abandoned the $3.7bn plan to build 60km of urban tollroad and railway after complaining that only a fraction of the work had been completed after the contract was signed in 1990.

But Hopewell has repeatedly claimed that design squabbles, problems of land access and red tape delayed the progress.

Yesterday's warning by the Hongkong group appeared aimed at jolting a five-month-old government led by the Democrat party into tackling a problem that the cabinet may have assumed would fade away.

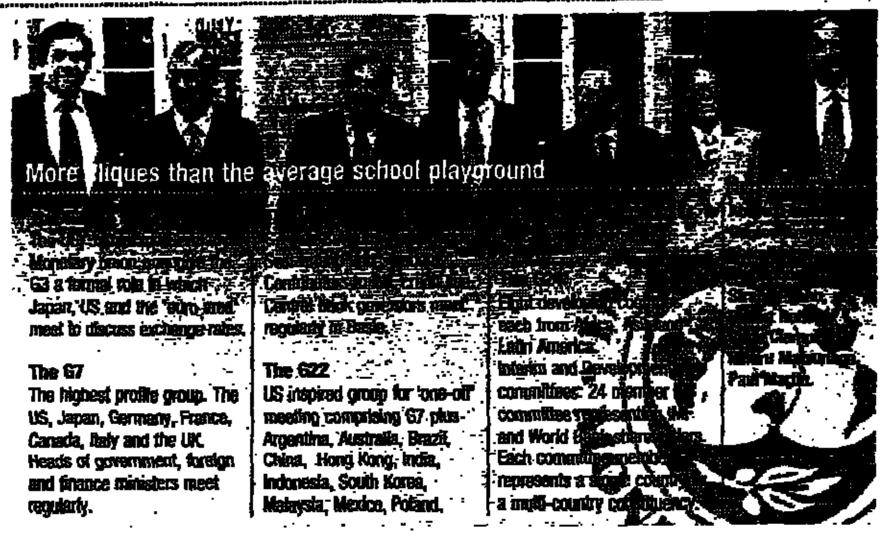
The company's last contact with officials from the transport ministry was in September and no talks have been held with the new government.

The Thais may now bring in an independent expert to try to bring the two sides together over compensation; if that fails, the 1990 contract stipulates that the dispute will go to arbitration, according to Hopewell.

Although the original contract contained no penalties for late delivery, Thai officials have argued that it was voided by the years of delay.

IMF/WORLD BANK SPRING MEETINGS INTERNATIONAL FINANCIAL GROUPINGS

Wanna be in my gang, my gang . . .



By Robert Chote, Economics Editor, in Washington

The world of international financial diplomacy has more cliques than the average high school playground. This week alone, Washington is playing host to the Groups of Seven, 10, 22 and 24, not to mention the official committees attached to the International Monetary Fund and World Bank.

The approach of Europe's single currency and the integration of emerging market countries more fully into the world economy is making the existing structures in which finance ministry and central bank officials congregate look increasingly anachronistic. But while it is easy to create a new grouping when circumstances dictate, killing off redundant ones is much harder.

Newest kid on the block is the Group of 22, otherwise the Willard Group, after the hotel where it held its first meeting. Bringing together officials from the Group of Seven leading industrial countries with their counterparts from 15 developing nations, it met last night to discuss lessons of the Asian financial crisis.

One focus of the meeting was the soundness of domestic financial systems and the operation of world capital markets. These issues are normally discussed in Basle by central bankers from the Group of 10, which despite its name comprises the US, Canada, Japan and eight European countries.

The US convened the G22 meeting partly from frustration that the G10 is European dominated and does not include emerging market economies now playing an important role in world capital markets. The Asian financial crisis has shown the importance of encompassing these countries in discussions of issues affecting world markets and investment flows.

The US has been careful to say that the G22 meeting is a one-off exercise to address the lessons of the Asian crisis. But many emerging market members would like a permanent G22 arrangement. Alternatively, the 25 subscribers to the New Arrangements to Borrow, a credit line for the IMF currently being ratified, could meet permanently. These countries comprise a similar mix of developed and emerging market countries.

This prospect does not appeal to the smaller European economies, which are not members of the G7. They fear that if these broader groups gain in importance, their membership of the G10 will be less important.

A further institutional problem is raised by Europe's looming single currency. It would make sense for the European Central Bank (ECB) to be represented at G7 discussions of economic and exchange rate trends, but the US is reluctant to see another European institution around the table. Its view is if the ECB comes in, someone else must go.

Officials believe that the problem of reforming the G7 means that an informal G3 process is likely to be set up in which finance ministry and central bank officials from the US and Japan meet their European counterparts. The position of the ECB is clear here, but who would represent Europe's fiscal dimension? Should it be a representative of all EU finance ministers or just those in the euro area?

In addition to the various inter-governmentals, finance ministry officials, central bankers and development officials also meet in the interim and development committees. They jealously protect their influence, not least because they represent almost all countries rather than particular interest groups. But with questions raised this week about the scope for greater co-operation between the IMF, World Bank and other international bodies on financial issues, the overlap between the two committees will become more of an issue.

Crystal Balls in Washington, Observer, Page 17

HEDGE FUNDS MANAGERS HIT BY SPEED OF ASIAN CRISIS

Investment pools 'late to take up positions'

By Robert Chote

Hedge funds, the aggressive investors often painted as the villains in economic crises, were at the back of the herd in speculating against Asian currencies last year, a study* by the International Monetary Fund says.

"Hedge funds did have large positions against the Thai baht in the summer of 1997, but so did other investors, and most hedge funds were relatively late to take these positions." Scant evidence existed that hedge funds had equally large positions against other Asian currencies. "This reflects that many hedge fund managers, like other market participants, were surprised by the speed and virulence of the Asian contagion."

Hedge funds are private investment pools, often comprising a few wealthy investors and domiciled offshore to exploit tax and regulatory advantages. Macro-hedge funds take large unhedged positions based on assessments of macroeconomic and financial conditions, and relative value funds, more highly leveraged, take bets on relative prices of closely related securities.

Though hedge funds are large in absolute terms, they are dwarfed by other institutional investors such as pension or mutual funds, the study adds. Hedge fund capital was some $100bn in the third quarter of 1997, of which $25bn was in the hands of the macro-funds of popular imagination.

Hedge fund capital thus pales when compared to the more than $20,000bn held by other institutional investors. "This points against the conclusion that hedge funds play a singular role in precipitating crises."

Evidence suggested the positions taken by hedge funds and institutional investors often diverged in a particular time period, but there was no evidence pension funds and the like changed tack to follow the hedge funds lead.

Regulators in the US and UK, where the biggest hedge funds operate, see little reason to do more to regulate and limit hedge fund activity to increase financial market stability. But limited measures to improve regulation might be considered.

* *Hedge Funds and Financial Market Dynamics; B. Eichengreen et al. IMF Occasional Paper 166, May 1998.*

MEASURING DEVELOPMENT WORLD BANK REPORT ON INDICATORS

Statistics key weapon in war on poverty

By Robert Chote

Life can be expensive if you live in Syria, but have a loved one in the US. The price of a three-minute telephone call from Damascus to Detroit is $38.41, more than 10 times the cost of ringing from Dortmund or Dieppe.

This essential piece of information is only one of 600 indicators that the World Bank uses to measure a country's economic development. The more advanced a country you come from, the less it costs to tell an American you love them.

The World Bank issued its latest volume of World Development Indicators in Washington yesterday. Its 400 pages tell you everything you want to know about fertiliser consumption, contraceptive use, military spending, cable television subscriptions and numbers of endangered mammals in countries around the world.

You discover that Uganda is the most dangerous place in which to own a car, that Switzerland has the most hospital beds per head of population and that the citizens of Hong Kong are the world's most voracious newspaper readers.

But the indicators have a serious purpose. "The World Bank is committed to helping countries fight the scourges of poverty, illiteracy, disease hunger and environmental degradation," argues James Wolfensohn, its president.

"We believe that by reporting regularly and systematically on progress toward the targets the international community has set for itself, we will focus attention on the task ahead and make those responsible for advancing the development agenda accountable for the results."

The report notes that the Organisation for Economic Co-operation and Development has set a target of reducing by half the proportion of the world's population in extreme poverty – living on less than $1 a day – by 2015. This means lifting nearly 1bn people out of poverty over the next two decades.

The Bank believes this can be achieved if China and India sustain their rates of economic growth. Indonesia and Brazil have also been growing quickly enough to achieve this target, but the likes of Kenya, Zambia and Guinea-Bissau are lagging behind.

The report finds that in general people in developing countries are healthier, better fed and more educated than ever before, but progress is uneven.

AGEING POPULATIONS REPORT WARNS OF EFFECT ON ECONOMIES

Fewer workers will cut growth rates

By Robert Chote

The ageing of populations will cut economic growth but improve current account positions in the advanced industrial economies, according to a report discussed yesterday by finance ministers and central bankers from the Group of Ten.

The report predicted that a fall in the proportion of the population participating in the labour force could depress the growth rate of gross domestic product by more than half a percentage point in many G10 countries between 2010 and 2030. This is a lot compared to typical trend growth rates of 2 or 3 per cent.

The report warned that underlying productivity growth, which is dependent on techonological progress and capital accumulation, could also be dampened by a fall in saving when the "baby boom" generation retires.

Looking on the bright side, the report predicted that "the more rapid ageing of the G10 countries on average relative to the non-G10 countries could contribute to an improvement in the aggregate current account position of the G10 countries for at least the next decade".

The report warned, however, that this improvement might be reversed if G10 savings rates declined and ageing progressed further. "Actual outcomes for current accounts will also depend on a variety of other factors influencing both saving and investment across countries," it added.

The G10 meeting – comprising finance ministers and central bank governors from the US, Japan, Germany, Italy, France, Canada, the UK, Switzerland, Sweden, the Netherlands and Belgium – concluded that it was important to pursue "appropriately timed fiscal consolidation" and to pursue ways of raising national saving.

"Acknowledging that the choice of how retirement income and health care are provided will depend on national circumstances, they supported the use of mixed approaches based on financially sustainable public pension and health care systems, and increased reliance on private pensions and other forms of private saving as the most promising ways to alleviate demographic pressures on exiting arrangements," the G10 communique concluded.

The report pointed out that government revenues would suffer as the baby boomers moved from their high income-generating years to retirement. It noted that countries which relied more on consumption of value added taxes would suffer less than those relying on income taxes.

UN urged to allow Iraq oil equipment imports

By Laura Silber at the United Nations in New York

Iraq should be allowed to import $300m in equipment for its oil industry, whose exports will fall far short of the $5.26bn approved under the UN oil-for-food deal, Kofi Annan, UN secretary general, yesterday told the Security Council.

Even with emergency repairs, Mr Annan said Iraq could export only $3bn of oil every six months in 1998. In an effort to alleviate the plight of Iraqi citizens, hard hit by crippling sanctions, the Council in February more than doubled the previous figure Baghdad was allowed to export under the humanitarian scheme.

The proposal came as a top UN weapons inspector warned in a report that the issue of ongoing access to suspected weapons sites remained unresolved. The US two months ago was poised to launch military strikes against Baghdad in order to win full, unlimited access to all sites.

A report on the first round of inspections of presidential palaces led by Jayantha Dhanapala, the UN under-secretary for disarmament, mostly put a positive gloss on Iraqi co-operation with UN inspections of suspected weapons sites.

He said relations between international weapons experts and Iraqi officials were "correct and both sides conducted themselves with professionalism and restraint". The inspections marked the first time UN and international experts have won access to the presidential sites and came after Mr Annan struck an accord in February, which called for senior diplomats to accompany weapons inspectors in order to guarantee that sites Iraq regarded as sovereign be respected.

Under the accord, Iraq pledged to allow UN inspectors charged with dismantling Iraq's deadly weapons (Unscom) access to all suspected weapons sites, including the eight presidential palaces.

But the same document contains a report written by Charles Duelfer, deputy chairman of Unscom who led the expert part of the inspection team. It warned that Baghdad had not agreed to allow weapons inspectors unrestricted access.

"It is essential to note, however, that the fundamental issue of continuing access is by no means solved and has only been postponed to the future," he wrote.

Mr Annan yesterday defended his accord. "The agreement allows Unscom to go in and to go back again," he said.

Mr Duelfer, an American, also said the Iraqis were trying to undercut the experts' authority by raising issues with diplomats escorting the inspectors.

Annan criticises African leaders

By Laura Silber

Kofi Annan, UN secretary general, yesterday criticised African leaders for abusing power and urged them to slash military spending to less than 1.5 per cent of their national budgets.

Mr Annan delivered his report while preparing to announce his decision to withdraw a team of 26 UN human rights investigators from the Democratic Republic of Congo (formerly Zaire), after months of government obstruction and intimidation, including the murder of a key witness.

The team, which also included Congolese, was investigating reports that fighters loyal to Laurent Kabila, now president of Congo, killed tens of thousands of Rwandan refugees in 1996 and 1997.

A native of Ghana and the son of a tribal chieftain, Mr Annan said: "It is frequently the case that political victory assumes a winner-takes-all form with respect to wealth and resources, patronage and the prestige of prerogatives of office."

He said the role "some African states played in supporting and sometimes even in instigating conflicts in neighbouring countries must be candidly acknowledged". But he shied from naming individuals or states as responsible for bloodshed or instability.

He also rebuked foreign actors. "In the competition for oil and other precious resources in Africa, interests external to Africa continue to play a large and sometimes decisive role, both in suppressing conflict and in sustaining it."

"By not averting those colossal human tragedies [as in Rwanda, Somalia and Liberia] African leaders have failed the peoples of Africa; the international community has failed them; the United Nations has failed them."

His report, which aims to identify the causes of conflict in Africa, lays down a broad framework to promote peace and development in Africa.

Blair plans low-key role on Middle East mission

By David Buchan and George Parker

Tony Blair, the UK prime minister, today starts a four-day swing through the Middle East with the deliberately low-key aim of providing European Union support for a relaunched US peace initiative.

"Do not expect any breakthrough," cautioned his spokesman in London on the eve of the UK prime minister's arrival this afternoon in Cairo, the first leg of a trip that will take him to Saudi Arabia, Jordan, Israel and the Gaza strip.

To avoid any repeat of the row that engulfed his foreign secretary, Robin Cook, last month, Mr Blair is not to go near occupied east Jerusalem. Instead he will hold all his talks with Palestinian officials in Gaza on Monday. Mr Cook's protest visit to a Jewish settlement in south-east Jerusalem so angered Prime Minister Benjamin Netanyahu that he cancelled a planned dinner with the UK foreign secretary.

Mr Blair's spokesman claimed that east Jerusalem would be omitted from the itinerary because "President Yassir Arafat had requested that the prime minister spend as much time as possible in Gaza". While he was in Gaza, Mr Blair also hoped to meet Faisal Husseini, the chief Palestinian representative in Jerusalem, UK officials said.

"There is no question of this (itinerary) being the result of Israeli influence", Mr Blair's spokesman said, "because we have not discussed this part of the trip with the Israelis – it was agreed between us and the Palestinians."

Mr Blair was said to be very keen to make his Middle East trip while Britain still held the European Union presidency. "It is important to do what we can to inject new momentum into the peace process," UK officials said. They also said Mr Blair believed the recent Northern Ireland peace accord showed the importance of persistent dialogue.

But the low-key nature of his trip was underlined when UK officials said that Mr Blair would focus his Gaza talks on "narrowing the gaps" between Israelis and Palestinians over the opening of the Gaza industrial estate and airport, and that even these issues were "no substitute for the substantial issues of land for peace" which were being brokered by the US.

Dennis Ross, the US special envoy to the Middle East, is due to resume a peace mission in Israel on Monday as Mr Blair leaves. Yesterday King Hussein crossed into Israel to hold surprise talks with Mr Netanyahu at the Red Sea port of Eilat. It was the two men's first meeting since Israeli agents bungled an attempt to assassinate a leader of the Hamas movement in Jordan.

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CLINTON PREPARES GROUND BEFORE SUMMIT

US deal with Chile bolsters ties

By Gerard Baker in Santiago

US President Bill Clinton arrived in Chile yesterday for four days of discussions with Latin American leaders that will culminate in the second Summit of the Americas at the weekend.

Heading a large team of US cabinet members that included Madeleine Albright, secretary of state, Sandy Berger, his national security adviser, and Charlene Barshefsky, the US Trade Representative, Mr Clinton kicked off the meetings by signing an agreement with President Eduardo Frei of Chile to improve ties between the two countries in improving environmental protection, education and financial supervision.

Later Mr Clinton was scheduled to address Chilean business leaders and soothe their frustration about US failure to make good on a long-standing promise to Chile: that it would be the first country in the hemisphere after Mexico to get approval for special trade privileges with the US, including membership of the North American Free Trade *Agreement. The Clinton* administration last year failed to secure congressional approval for fast-track trade negotiating authority, a setback which severely hampers efforts to sign trade opening agreements with Chile or any other country.

US officials were anxious to play down suggestions that, in the absence of fast-track for Mr Clinton, the summit, the first gathering of the hemisphere's leaders since the Miami summit in *December 1994, was* an empty exercise. They pointed out that progress was expected in measures to improve co-ordinated efforts to tackle drug trafficking, and strengthen education and health systems.

"Latin America has made enormous progress in the last ten years in both establishing democratic constitutions and in achieving rapid economic growth," said one official. "What is now needed is agreement on a range of reforms to build on those achievements."

Despite rapid economic growth in Latin America in *the last few* years, income gaps between rich and poor have widened, and South America has the distinction of having the greatest economic inequalities of any continent. Summit leaders are keen to portray discussions as an attempt to demonstrate a hemisphere-wide commitment to improving quality of life for poorer Latin Americans.

But trade will still be the dominant backdrop to the meeting. The summit will formally launch negotiations to establish a Free Trade Area of the Americas by 2005, with detailed discussions scheduled to begin no later than June.

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Microsoft triggers start of countdown to its own destiny

Announcement of Windows 98 launch has given US regulators a deadline for a decision on whether to file for new antitrust charges against the industry leader, writes Louise Kehoe

When Microsoft this week set June 25 as the launch date for Windows 98, its intention was to stir excitement among PC enthusiasts. Its unintended effect was to set clocks ticking in the offices of antitrust officials in Washington and in state capitals throughout the US.

Before the big day – and preferably before Microsoft begins shipping copies of the next version of its personal computer operating system to PC manufacturers about a month earlier – regulators must reach a decision on whether or not to file new antitrust charges against the software industry leader.

Their deadline is self-imposed, but nonetheless real. Windows 98 is at the centre of a debate over Microsoft's alleged monopoly and accusations by competitors that the company has abused its market power.

Even Microsoft's lawyers acknowledge that if the company is to be the target of new charges, it will probably happen in the next few weeks. Any later and regulators would seem to be closing the stable door after the horse bolted. Moreover, they might face a backlash from PC users who had already loaded the new software on to their machines.

The rush to determine whether Microsoft should be *subject to charges demon*strates the dilemma faced by regulators. Microsoft critics in the industry are persuasive when arguing that the company's domination is deterring competition but tens of millions of consumers are buying Microsoft's products without complaint.

Efforts by consumer activists to draw attention to the issue seem to have fallen flat. However, in legal and political circles Microsoft is at the centre of a debate over how antitrust laws should be implemented. With about 90 per cent of PCs in the world running one of Microsoft's operating systems, it appears obvious that Microsoft holds a monopoly. Yet its executives say its dominant market position is under threat from new technology and that it is therefore not a monopolist in the traditional sense, with the ability to control prices or market access.

Microsoft insists that government interference in its business would put a *damper on the entire* information technology industry. As Bill Gates puts it: "The software industry's success has not been driven by government regulation, but by freedom and the basic human desire to learn, to innovate and excel."

Yet industry critics say it has used exclusionary contracts, bundling of one product with another and aggressive marketing tactics to deter competition. Already, the company is facing charges that it has violated a 1995 antitrust settlement agreement. A hearing on that case, which revolves around Microsoft's inclusion of internet browser software in the current version of Windows – a move that has helped it to win about a 40 per cent share of the browser market at the expense of Netscape Communications – is scheduled for next week.

However, even as Microsoft and the Justice Department prepare to argue that case, the focus of their attention is quickly shifting to the possibility of new charges. The Justice Department is believed to have plenty of ammunition to use against Microsoft. Yet a decision on whether to go after the company hinges on what remedies it might propose to the court.

Breaking up Microsoft into two entities – in the style of the AT&T breakup – makes little sense. Operating systems software and applications, Microsoft's two main businesses, are closely intertwined. A more measured approach, perhaps requiring Microsoft to share information about the inner workings of its operating systems with other software developers, could be the answer. It would, however, be difficult to oversee.

Requiring Microsoft to *consult with* antitrust regulators before entering any new business segments, as some anti-trust experts have suggested, could be a recipe for long-term industry-wide regulation which even Microsoft's critics are anxious to avoid. It also runs contrary to the Clinton administration's hands-off policy toward the internet.

But time is running out. By announcing a date for Windows 98, Microsoft has also reminded antitrust regulators that the high technology industry moves far more quickly than the judicial system. The greatest challenge *facing the Justice* Department may be keeping pace.

Microsoft's Bill Gates argues industry needs freedom to prosper

NEWS DIGEST

ELECTRONIC STOCK EXCHANGES

SEC plans improvement in online standards

New electronic stock exchanges will be forced to improve their computer systems and accessibility if they prove popular with investors, under new proposals by the US Securities and Exchange Commission. The SEC said the rapid growth in so-called alternative trading systems meant operating standards needed to be raised among those with substantial trades, defined as more than 10 per cent of the trading volume of a particular security.

The number of alternative trading systems – including internet trading – had more than doubled in the last year from 20 to 50, it said.

Under the SEC's plans, successful new systems would have the choice of either minimal regulation as a broker-*dealer, or registering* as a *new* exchange. Systems with low volumes could avoid the new rules, and would simply need to maintain audit trails and file quarterly reports.

In contrast, broker-dealers with substantial volumes would have to link with a registered exchange and display all orders to the public. They would be required to offer open access to investors and brokers, by stopping unfair discrimination.

Established markets were offered the chance to compete more equally with their new electronic rivals under the plans published yesterday. However, the SEC deferred a decision on the issue of how to allow foreign stock exchanges to do business in the US. **Richard Wolffe, Washington**

ARGENTINE INSURANCE

Date set for liberalisation

Argentina will open up its insurance market from October by ending curbs on new entrants, Carlos Rodriguez, deputy economy minister, has announced. Previously, insurance companies wishing to operate in the Argentine market had to buy, or form partnerships with, existing operators.

The move is expected to lead to a shakeout in the loss-plagued industry, in which almost 300 companies operate, *and boost foreign investment* in the sector. New capital requirements for the industry would also be introduced, phased in over two years, Mr Rodriguez said. General insurers' minimum requirements will rise from the present \$550,000 to \$3m in a move aimed at promoting mergers.

Foreign investment in the sector is already rising. In November Royal & SunAlliance, Britain's biggest insurer, announced a \$40m investment in its *local subsidiary to finance a move* into shipping and personal risk insurance. Newbridge, a US private equity fund, has bought a clutch of insurance companies for \$45m. **Ken Warn, Buenos Aires**

BRAZIL ECONOMY

Lending rates keep falling

Brazil's central bank has cut its base lending rate to 23.25 per *cent a year from* 28 per cent, in a continuation of its policy of gradual interest rate reduction. A further cut of the same size would bring the base rate to its level of last October, before it was doubled in response to the Asian economic crisis. The central bank also cut its assistance rate, to 35.25 per cent from 38 per cent. **Jonathan Wheatley, São Paulo**

BRITISH COLUMBIA

Pulp deal put to the vote

Union members in British *Columbia will be voting* today and tomorrow on a tentative agreement to end the longest strike in the province's forest industry. About 2,100 workers at three pulp and paper mills owned by Fletcher Challenge Canada will vote on a five-year pact that offers a wage increase of 15.4 per cent and a C\$2,750 (US\$1,900) signing bonus. The company, however, *achieved its principal goals* of increasing workplace flexibility, allowing more contracting out of work and operating its mills 365 days a year.

The agreement with Fletcher was the first negotiated in the industry in this round of bargaining, and is likely to set the pattern for agreements with other BC pulp and paper companies. *Edward* **Alden, Toronto**

ASIA CRISIS BIGGER TOKYO BANKS ACT TO SHRINK ASSET BASES

Nine Japan finance houses close in HK

By Louise Lucas in Hong Kong

Nine Japanese financial institutions have closed in Hong Kong in the wake of the Asian financial crisis, and more are expected to follow suit as a result of Japan's "big bang".

According to the Hong Kong Monetary Authority (HKMA), which supervises the banking sector, six banks have closed (including some local representative offices), along with three deposit-taking companies. Of these, five closed in the past month.

At the same time, Japan's bigger banks, including Sumitomo, Sanwa and Fuji, have been taking steps to shrink their asset base in the territory. New loans and rollovers are being approved on a case-by-case basis, with banks seeking to retain long-standing relationships with blue-chip clients.

The situation is unlikely to be reversed in the near future. Masaru Inoue, director-general of Jetro, the Japanese export and investment promotion agency, reckons the shrinkage in Asian countries will continue for three to five years at least.

A spokesman for the HKMA said there was no evidence of a big retreat of Japanese banks from Hong Kong.

"It is true that Japanese banks are currently being somewhat more cautious in expanding their balance sheets, but this is due to the general desire to enhance capital adequacy and profitability, not because of the wish to scale down their presence in Hong Kong," he added.

The partial withdrawal from Asia is a symptom of both internal and external factors. Japanese banks are under pressure to meet capital adequacy requirements and to restructure at parent level in order to prepare for the impact of liberalisation in the financial services industry at home.

The Asian crisis has prompted banks worldwide to consider reducing their exposure to the region. For banks funding in Hong Kong there is also the question of cost: relatively high interest rates have constrained lending for those obliged to seek funds in the interbank market.

For the Japanese, the cost of these funds is even higher, due to the perceived credit risk. The resultant Japanese premium means that in some cases loans are barely breaking even, bankers say.

Mr Inoue says the main factor behind the retrenchment is the restructuring required by Japan's reform of the financial system.

"Some small banks will follow Bank of Kinki and the rest and withdraw from Hong Kong, maybe this year. As for the biggest banks, like Fuji, there's a possibility they will decrease the number of Japanese staff here, but they will never close their offices in Hong Kong," Mr Inoue added.

In 1996, the latest year for which figures are available, Japanese banks lent a total of just over HK$2,177bn (US$280bn) in Hong Kong, making them the biggest foreign lenders in the territory.

Dong Tao, economist at CSFB, says that Japanese banks account for 28 per cent of all loans made in Hong Kong. He warns that the potential for further withdrawals could pose a severe problem for the territory.

Taiwan to start power sell-off early next year

By Laura Tyson in Taipei

Taiwan will begin selling shares in state-owned Taipower early next year and plans to complete privatisation of Asia's fourth biggest electric utility by June 2001.

Investment bankers familiar with the plan say the planned sell-off of between 50 and 60 per cent of the company would be worth at least US$7.5bn. The privatised company would have a market capitalisation of US$15bn, making it among the biggest concerns listed on Taiwan's stock exchange.

Richard Hsu, Taipower's vice president, said in an interview that privatisation would allow the company to diversify into telecommunications, transport and real estate development and to offer contract maintainence services to private power plants now being built.

Earlier this month, the economics ministry set a schedule for release of shares to the public. Under the plan, the government will sell 10 per cent of its holdings in the utility in 1999, another 10 per cent in 2000 and between 31 and 41 per cent in 2001. The plan is expected to approved by the cabinet soon.

Taipower is the world's 14th biggest electric utility with total installed capacity of 25,755MW. It is also among the fastest growing, recording a 6.4 per cent rise in electricity sales in 1997.

The sale of Taipower is part of a big privatisation drive which includes dismantling state monopolies in the telecoms, oil and electricity sectors.

Jardine Fleming is leading a consortium that is advising Taipower on the privatisation scheme. The group includes Goldman Sachs, Arthur Andersen, Grand Cathay Securities and the Taiwan Institute of Economic Research.

Mr Hsu said the company would be initially privatised as a whole and later divisions – such as generation, transmission and distribution – would be spun off separately.

To diversify shareholdings, he said the government plans to allocate 30 per cent of Taipower's shares to Taiwan residents in a mass offering under which qualified citizens can buy up to 5,000 shares, with incentives for long-term holders.

Depending on how well the offering is received in the domestic market, foreign investors will be allowed to take part in the second and later tranches of the sale. Taipower will also set aside up to 20 per cent of shares for employees at a discounted price.

The company is also seeking strategic investors from international energy-related companies which can bring management skills, operational know-how or enhanced safety to the company. The combined holdings of such investors could amount to as much as 10 per cent of the company, Mr Hsu said.

Securities analysts said foreign institutional investors would be keen to buy into the stock if only to maintain their portfolio weightings, as Taipower will be one of Taiwan's leading blue chip stocks.

Taipower used to borrow frequently from international markets, but since a government policy change it has confined its borrowings to the domestic market for at least a decade, said Mr Hsu. Outstanding foreign debt amounts to just US$20m.

Taipower, which operates three nuclear stations and is building a fourth, will remain Taiwan's dominant power supplier in spite of privately owned power plants that will begin coming on line this year.

Many of the independent power plants are encountering delays in the environmental assessment process or facing financial difficulties. Of the 11 licences handed out several years ago, only two plants have begun construction.

Pol Pot is dead: but his reign of terror lives

The killing continues in Cambodia's miserable fields, writes **Ted Bardacke**

Pol Pot, genocidal killer, was pronounced dead yesterday as his 30-year-old Khmer Rouge guerrilla movement falls apart in the Cambodian jungle.

Thai military officials said Pol Pot died late Wednesday in a small hut where he had been held by his ex-comrades since being purged from the Khmer Rouge last year. Late yesterday journalists were allowed inside Khmer Rouge territory to identify and photograph the body.

Pol Pot, who was in his early 70s, led the Khmer Rouge from its origins as a rural offshoot of the Cambodian Communist party in the 1960s through its four-year rule of the country from 1975 to 1978 and then into low-level guerrilla war for the past two decades.

During its administration of the county, the Khmer Rouge attempted to enforce a radical agrarian utopia free of money, cities, private property, religion and intellectuals. In the process as many as 2m of Cambodia's 8m people were killed.

Pol Pot and his top aides, some of whom remain in the jungle and others who are scattered in various parties across Cambodia's political landscape, personally ordered thousands of executions. Many more died of starvation when the Khmer Rouge's collectivist agricultural system failed.

Thai officials said yesterday they had been told Pol Pot died of a heart attack. When he was last seen publicly late last year he was visibly ill. No independent autopsy is expected to be performed and his body is scheduled to be cremated inside Khmer Rouge territory tomorrow, leading to speculation that his ex-comrades poisoned him when a plan to turn him over to an international tribunal failed.

Born as Saloth Sar into a prosperous family which owned rubber plantations, Pol Pot went to France in the early 1950s for a technical education in radio electronics.

During his studies in Paris he joined the French Communist party at the height of its hard-line Stalinist phase and was introduced to radical Marxist and anti-colonial philosophies.

The devastation unleashed by Pol Pot's peculiar mix of these views gives many Cambodians to this day a sense of life that is devalued. Killing as a method of solving disputes is the norm; at times even an afterthought.

Pol Pot: agrarian utopia

What this also means is that Cambodians today are also afraid to take risks, especially political ones. Submitting to power is the only safe alternative.

In a sense Pol Pot lives on in the millions of landmines that continue to terrorise the country. The world's most brutal and indiscriminate weapons are also a Khmer Rouge favourite. The problem is especially acute for Cambodia's thousands of internally displaced peoples, mostly returning refugees who fled the Khmer Rouge in the first place. Land they are supposed to farm is useless, as it is littered with mines layed either by Pol Pot's men or those who fought him.

In an interview late last year Pol Pot was unrepentant.

"My conscience is clear," Pol Pot told Nate Thayer of the Far Eastern Economic Review. "Everything I have done and contributed is first for the nation and the people and the race of Cambodia."

Now the Khmer Rouge, without the mesmerising influence of Pol Pot, and having lost financial and logistical backers such as China, the US and Thailand after the group boycotted UN-sponsored elections in 1993, is disintegrating.

Plagued by the defection to the government in 1996 of a faction that controls important tracts of forest and gem mines and more recently by another group close to the long-time stronghold of Anlong Veng, the hardline movement is down to about 200 fighters headed by a brutal military leader, the one-legged Ta Mok.

Yet the Khmer Rouge remain an important piece of Cambodia's political jigsaw. Former Khmer Rouge leaders are entrenched throughout Cambodia's military and its political parties. Rival negotiations between the Khmer Rouge and Cambodia's warring political factions prompted a coup last year led by second prime minister Hun Sen.

Thriving on instability, infighting and corruption, government officials often use the implicit security threat posed by the Khmer Rouge as an excuse for the country's problems. Things might be bad now but they are better than when the Khmer Rouge were in power, is a constant refrain heard in Phnom Penh's ministries.

This use of the Khmer Rouge era as the main reference point for all comparisons in contemporary Cambodia – an implicit victory for Pol Pot's goal of turning the country back to Year Zero – is a big obstacle to reconstruction.

"As long as we keep looking back to the Pol Pot regime for an example of how bad things could be, we are never going to get anywhere," says Sam Rainsy, a former finance minister and opposition leader. "And not getting anywhere, not moving forward, was exactly what Pol Pot wanted."

Killers of our time, Page 16

China tries to deal with how to reward successful managers

James Harding reports executive pay is becoming a big issue among Chinese companies

According to the company's promotional blurb, the success of China's most profitable manufacturer of traditional Chinese medicine owes much to the talents of the group's president, "to Feng Gensheng's creative power, his quick and speedy personnel management and his daring whims".

The unfortunate irony for Mr Feng, though, is that he gets more in purple prose than pay.

But, then, what is the chief executive really worth? It is a niggling question asked by shareholders in chorus and employees in mutters across the western world. But in Hangzhou, a picturesque lakeside city in eastern China that is home to the traditional medicine business run by Mr Feng, executive remuneration is a new and testing issue. And, perhaps surprisingly, it is the chief executive himself who is stirring up the controversy.

"Previously, the rule was that remuneration should reflect the efforts and labours of all the factory workers," says Mr Feng, who has spent most of his 26 years as company president on a monthly salary of $70. "But, now, there is a new spirit. People should be paid according to their contribution to the company and according to their position in the company. After all, it is the manager who really decides the fate of a company, whether it succeeds or fails."

In the past, egalitarian China sought to blur the lines between the boardroom and the shopfloor – and that included pay. The presidents of Chinese state-owned enterprises, regardless of whether the business made or lost money, were awarded meagre official sums, just a step or two removed from their workers' basic salaries. There were always perks, but not multiples of pay.

Recently, China's leadership started to give recognition to the role of the manager. Zhu Rongji, China's newly appointed prime minister, said last month: "We cannot put an end to state-owned enterprises continuing to lose money without solving the leadership problem in enterprises and without changing the outdated management structure."

Such acknowledgement of the responsibility of the chief executive has helped bring the issue of the boss's pay into the open and better remuneration – either through pay or, more commonly, through share ownership – stands as a potential incentive to help improve company management.

Since President Jiang Zemin sanctioned China's state enterprises to start issuing shares to its workers and managers, companies have jumped at the chance to transform themselves into what are known as "stock-holding companies" – and the assumption has tended to be that the management is deserving of a bigger stake than the workers.

But for Mr Feng, the legacy of life as a manager in more doctrinaire days is preventing him from taking up a manager's benefits now that China is beginning to embrace the capitalist culture of executive rewards. Quite simply, he says, he cannot afford to buy the shares the company is offering him.

Mr Feng took over as head of what was then the Hangzhou No.2 Pharmaceutical Company in the early 1970s. Since then he has helped turn a small workshop into an expansive factory complex that claims to be the most profitable business in the Chinese medicine industry.

The company's flagship product, "Qingchunbao" (loosely translated as the Treasure of Youth), is one of the best known anti-ageing medicines on the market. Many of the group's other health products, which include male fertility tablets, obesity-reducing tablets, anti-diabetes pills and a range of Ginseng-based medicines, are now being sold overseas. The company is now known as the Qingchunbao Group.

In 1992, a company subsidiaries established a joint venture with Thailand's Chiatai Group and since the injection of capital, profits have soared. Last year, Mr Feng says the group achieved profits of roughly Yn200m ($24m) on sales of Yn800m, compared with profits of Yn15m and Yn150m turnover five years earlier.

In recognition of his years of service, the Qingchunbao board has invited him to buy 2 per cent of the company shares worth Yn3m ($362,000) in a general sale of 15 per cent of the equity to employees (normal workers are entitled to buy, on average, Yn10,000 worth of shares).

To take up the offer, Mr Feng has to find the money. His monthly pay was ratcheted up from $70 in the early 1990s and is now around $1,000 a month, but, still, he asks: "How can I afford to buy Yn3m worth of shares, with that kind of money?"

Unusually, Mr Feng has chosen to make a public fuss. He has spoken to the local press and his concerns were even examined in the People's Daily, the national mouthpiece of the ruling Communist party.

Mr Feng's problem has not only prompted greater public debate in China about how to value the input of the manager into a successful business. It has also focused attention on the great public anxiety that surrounds buying shares in state enterprises, an "opportunity" for many state workers that involves risking a substantial portion of their life savings for an unclear, often uncertain, future reward.

"Ordinary workers think that if the management buys just one tenth of the allocation they are offered, then they do not have confidence in the future of the firm and think the company is trying to cheat them," Mr Feng says. But he says he has confidence in the company and wants to buy the stake being offered as a reward for years of service. The problem for Mr Feng, however, is realising his value.

NEWS DIGEST

CORRUPTION AND FRAUD CHARGES

Share trading scandal trial starts in Hong Kong

The former Hong Kong managing director of a US-based private investment company appeared in court yesterday charged with 18 counts of corruption and fraud in a HK$60m (US$7.75m) share trading scandal. Kevin Lee, former head of Rockefeller & Co (Far East) is accused of taking bribes and making illegal gains in share trading. The charges relate to the period 1992-96, when it is alleged that Mr Lee traded shares contrary to Rockefeller's interests but to his own benefit.

The alleged fraud is the latest in a series of high-profile corruption investigations by the Independent Commission Against Corruption, Hong Kong's anti-graft agency. Charges against Mr Lee, who was arrested last year and freed on bail, include allegations that he took payments from locally listed companies in return for buying their shares. Mr Lee is also accused of attempting to defraud Rockefeller & Co by dishonestly selling shares in Steady Safe, an Indonesian transport company, to an investment company he controlled. Mr Lee was allowed an extension of bail but was ordered to surrender travel documents. **John Ridding, Hong Kong**

NEW ZEALAND CURRENCY

Plastic banknotes adopted

The Reserve Bank of New Zealand has announced plans to print all its notes on the plastic polymer sheeting developed by its Australian counterpart in partnership with UCB Films, a UK-based polymer film specialist. Australia's bank notes are all now printed on the distinctive plastic sheeting, which looks and folds like traditional paper money, but has a waxier feel. The notes also carry a distinctive transparent window, which makes them harder for counterfeiters to photocopy.

The Reserve Bank of Australia has formed a joint venture with UCB and has proselytised around the world for the polymer material. Its successes have so far been confined to such countries as Singapore, Western Samoa, Brunei, Papua New Guinea and Kuwait, whose humid climates can play havoc with ordinary paper money. Although the plastic notes cost twice as much to produce as ordinary paper notes, they last four times as long. **George Graham, Banking Editor**

INDONESIAN PROTESTS

Students denounce Suharto

Thousands of Indonesian students held campus protests yesterday against President Suharto, calling him the "cause of all disasters". At least nine were injured in a clash with police, witnesses said. It was the second day of intensified protests blaming the President for the country's economic crisis. Both the rupiah and the Jakarta stock market closed weaker, at least partly because of the protests, dealers said.

In New York, talks continued for a second day between creditors and Indonesia debtors to reschedule more than $74bn in private foreign debt. The issue has become central to Indonesia's efforts to overcome its crisis. **Reuters, Jakarta**

Indonesia and the IMF, Page 17

INSURANCE MARKET CHIEF EXECUTIVE QUESTIONS USEFULNESS OF TRADITIONAL 'ANNUAL VENTURE' SYSTEM OF RAISING CAPITAL

Lloyd's tells Names to accept reforms

By Christopher Adams, Insurance Correspondent

The chief executive of Lloyd's of London, the insurance market, has delivered a blistering attack on its traditional system of capital provision. Ron Sandler gave the strongest indication yet that Lloyd's may require Names – individuals whose funds traditionally support the market – to commit themselves to Lloyd's for longer periods.

Mr Sandler told hundreds of Names at a conference yesterday that intense business pressures in global insurance were making it imperative for Lloyd's to implement radical reforms, in order to turn it into a modern-style business backed by permanent capital. Most of the insurance syndicates which collectively underwrite risk at Lloyd's have to raise fresh capital each year. This is supplied by Names or by corporate funds.

Mr Sandler urged Names, many of whom are opposed to efforts by underwriters and corporate capital to reform the current system, to accept that the "annual venture" had "outlived its usefulness".

The structure hindered the ability of Lloyd's insurance vehicles to participate in multi-year contracts and make long-term investments in new skills and technology, said Mr Sandler. "These all require permanent capital and a planning horizon which is incompatible with the concept of the annual venture."

He said the system imposed a cost burden on Lloyd's and was restricting efforts to regain lost market share. "The annual venture imposes additional costs in almost everything we do, from running-off open years to the fees we pay to US lawyers for advice to prevent us from breaching US securities laws."

"The separation of capital providers from those who manage the capital . . . requires the imposition of a regime of regulation and disclosure more burdensome than would otherwise be the case," he said. "Even profit distribution is a task of quite incomprehensible complexity."

Because of the annual venture's complexity and the "arcane" accounting methods used by Lloyd's, many potential investors in the specialist insurance businesses that operated in the market were deterred.

Mr Sandler's attack was a clear sign of Lloyd's management concern that its centuries-old structures have become a handicap. He seemed frustrated that he could not speak for Lloyd's ruling council, which comprises some 18 elected representatives from different parts of Lloyd's.

He said the council was "not ideally suited" to make strategic change. Elected representatives usually stood for vested interests and had little relevant experience.

NORTHERN IRELAND

Minister calls for job package to bolster peace

By Robert Chote in Washington

Northern Ireland's peace settlement should be underpinned by an ambitious package of measures to boost the region's underperforming economy. Gordon Brown, the UK chancellor of the exchequer, will tell an audience in New York today.

Speaking at the Federal Reserve, Mr Brown will announce that the package should focus on job creation and be based on the modernisation and regeneration of the local economy. The main element will be incentives for long-term investment.

UK officials said the Treasury was already working on the details but they were unable to say what the total cost would be. Geoffrey Robinson, a junior Treasury minister, will visit Northern Ireland for discussions next week, followed by the chancellor.

Northern Ireland's economy has long lagged behind that of the rest of the UK. It has high unemployment and low income per head. Officials hope that the prospect of sustained peace will boost the region's attractiveness as a place to do business, while further economic help might cement popular support for the settlement.

● David Trimble, leader of the pro-British Ulster Unionists, hit back at his critics, saying the agreement was good deal for unionism and a bad deal for republicanism, John Murray Brown writes.

Rejecting point by point the claims of the hardline Democratic Unionists, Mr Trimble said support for his stance was growing. He predicted he would secure the backing of the 800-strong ruling Ulster Unionist council, which votes on Saturday.

"Yes, there are worries on policing and prisoners. But rather than letting those worries mesmerise us we will get them sorted out," Mr Trimble told a news conference to launch his campaign for a Yes vote in the May 22 referendum to ratify the accord. On Wednesday, the Protestant Orange Order – which sends 85 delegates to the UUP council but has much wider influence – cited the proposed reform to the Northern Ireland police force as one of its main misgivings and said it could not recommend it to the people of the region.

In a clear gesture to support Mr Trimble, Tony Blair, the UK prime minister, insisted there was no question of disbanding the force. Mr Trimble said adjustments to the police force were inevitable if terrorism ended and the region returned to normal peacetime policing.

Gerry Adams (far right) smiles alongside Billy Hutchinson, a talks delegate for the Progressive Unionist party, political wing of the outlawed Ulster Volunteer Force. As a UVF member, Mr Hutchinson served a prison term for murdering a Roman Catholic. Mo Mowlam, chief Northern Ireland minister in the UK government, and Tony Worthington, education minister, also joined the walkabout yesterday

Sinn Féin sees party unity as its imperative

Members want to know if the deal can deliver on policing and other reforms, say **John Murray Brown** and **Jimmy Burns**

Sinn Féin, which takes its time on most things, is unlikely to be rushed into a decision on last week's historic Northern Ireland peace agreement.

Pat Doherty, Sinn Féin vice-president, confirmed yesterday that the party, the political wing of the Irish Republican Army, is unlikely to take a vote on the issue at Saturday's annual conference. It will meet again relatively soon afterwards.

The delay probably makes sense tactically.

Sinn Féin, the political wing of the Irish Republican Army, will not want to commit itself to the compromises involved in the deal until it has seen how the pro-British Ulster Unionist party fares at its crucial ruling council meeting in Belfast on Saturday.

The seven-man army council of the IRA would also have to give its verdict on the package before Sinn Féin puts it to the party rank and file. Gerry Adams, Sinn Féin president, has throughout the peace process made a point of involving as many party activists as possible – even rotating his negotiating team to maximise the consensus behind the party's strategy.

The imperative is to avoid a split and maintain party unity.

But many officials believe it will be difficult for Mr Adams, as architect of the party's peace strategy, to repudiate a document he has himself negotiated. If the party rejects the deal, it will certainly make it harder for Sinn Féin to win votes for its candidates in the new assembly, where the main political battleground will be.

The Andersonstown News, normally a good gauge of opinion in the republican stronghold of west Belfast, said the Sinn Féin leadership "tell us this is the best deal now available. These words should not be lightly dismissed by anyone who decides to hoist the flag for another 30 years of pointless warfare".

Sinn Féin, like all the parties, has misgivings. Rita O'Hare, a Sinn Féin executive member and a former editor of An Phoblacht-Republican News, the party's newspaper, says: "I don't think you'll find any party which has embraced every part of the deal."

She says that ordinary party members will want to know whether the agreement can deliver on policing and other reforms.

The Sinn Féin leadership has already stressed that the political settlement is a transitional arrangement. But it can point to real gains – the provision for the early release of prisoners being a particularly emotive issue in republican communities. Brian Gormally, deputy director of the Northern Ireland Agency for the Care and Rehabilitation of Offenders, says: "The guarantees on political prisoners that the Blair government has agreed to are an absolute ace card for the Sinn Féin leadership."

The Irish government has already announced the release of nine IRA inmates – all of whom voiced their support for the Sinn Féin leadership – in a clear bid to bolster the republican leadership. Equally critically, the commitments required from Sinn Féin on arms "decommissioning" remain vague.

'It is not a territorial claim. Ireland is Ireland and no government has the right to change that'

Sinn Féin has more problems over the question of the sovereignty of Northern Ireland and the proposals to scrap articles 2 and 3 of the Irish constitution, which lay claim to Northern Ireland. Ms O'Hare insists: "It's not a territorial claim. Ireland is Ireland and no government has the right to change that."

It is on this issue that Sinn Féin is potentially vulnerable to attack from the 32-county Sovereignty Committee, a rebel group which opposes the peace talks and is linked to recent bomb attacks in Northern Ireland.

With dissidents on the sidelines, Sinn Féin can be expected to resist unionist calls to accept the consent principle – that any change in the status of Northern Ireland can come about only with the approval of the majority of population of Northern Ireland's six counties.

"As republicans, the only majority we recognise is the majority of the people of the 32 counties, said Mr Doherty, referring to the whole island.

Before last week's historic accord, Sinn Féin offices on both sides of the border were distributing posters calling for support for articles 2 and 3.

ASYLUM SEEKERS MINISTER ADMITS SYSTEM FOR DETAINING GROWING NUMBER OF IMMIGRANTS IS A 'MESS'

New rules urged for detention centres

By Simon Buckby, Social Affairs Correspondent

British ministers are poised to introduce statutory regulations to control the management of immigration detention centres, which were yesterday officially condemned as "unsafe".

Mike O'Brien, the immigration minister, accepted yesterday that the rapid rise in the number of asylum seekers in the UK – up from 2,000 in the mid 1980s to 32,500 last year – had left the whole system in a "mess".

A report into the Campsfield centre in southern England, scene of riots last summer, was published yesterday. It concluded: "It is the absence of enforceable rules of conduct governing the behaviour of detainees and staff which convinces us that detention centres as currently constituted are unsafe for detainees".

The report by Sir David Ramsbotham, the chief inspector of prisons, said the system was "overloaded". He recommended a significant increase in the places available in specialised centres, which currently hold only 1 per cent of those asylum seekers liable for detention.

He insisted the new system should be backed by detailed rules and regulations". "These should explain what is expected of detainees, their rights, particularly with regard to due process of law, and their responsibilities as members of a community in detention," Sir David said.

Virtually all his 98 sweeping recommendations were accepted by the government, which has been reviewing immigration policy.

Mr O'Brien welcomed what he called a "tough report", claiming it was a defeat for those who oppose detaining asylum seekers, arguing that "detention is a regrettable necessity". He rejected the suggestion that government policy contravened the European Convention on Human Rights.

However, he admitted: "The lack of effective control or a clear obligation on detainees to accept responsibility for their behaviour needs to be addressed."

Sir David praised Group 4 Total Securities, the company that runs Campsfield House, for "doing a good job in difficult circumstances". He complained instead of "a knock-on effect between governmental policy and its execution by the Immigration Service, which includes direction to firms contracted to run individual centres."

Healthy projections for Virgin's screens

The group is taking its cinema concept to the US and Japan after rejecting European targets, says **Alice Rawsthorn**

Richard Branson's Virgin Group has opened six multiplexes since diversifying into the cinema business three years ago.

Its progress in some other new areas, notably vodka and railways, has been rocky, but so far its foray into cinema has done well. "We have been most successful as a brand when Virgin has gone into industries that are a bit tired, and low on innovation," says Simon Burke, chief executive of Virgin Entertainment. "Airlines was one, and cinema is another."

Mr Branson orchestrated Virgin's arrival in the cinema market in characteristically audacious fashion. Virgin bought the 116-strong MGM Cinema chain, then the UK's biggest circuit, in 1995 in an auction against rival bids from Rank and PolyGram.

Cinema was then one of the most promising areas of the leisure sector. Admissions had doubled since 1985 when the first US-style multiplex opened in England. But by 1995 the UK market was still underdeveloped compared with the US.

Virgin financed the acquisition mostly with debt and the interest payments dragged its cinemas into the red in 1995 and 1996. During the 29 weeks it owned the cinemas in 1996, Virgin paid £6.55m in interest and made a pre-tax loss of £7.09m on turnover of £49.51m.

Virgin raised £69m that year by selling the 93 smaller theatres to ABC Cinemas, a management buy-out team, leaving it with 23 bigger complexes and considerably lower debt. But its interest bill of £12.66m for the year left it with a pre-tax loss of £4.74m on £84.38m turnover.

Virgin has yet to publish its financial results for last year, but Mr Burke says the reduced debt enabled the cinema division to go into the black. Selling the smaller theatres has also turned out to be a smart strategic move. Many have been badly affected by nearby multiplexes.

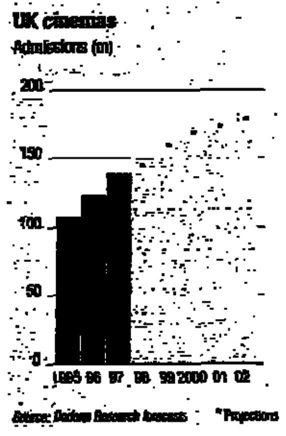
Meanwhile, Virgin has invested heavily in refurbishing old cinemas and building new ones. It was contractually obliged to drop the MGM name shortly after the 1995 acquisition, when it rebranded the chain.

But most of the cinemas were so dilapidated that they fell well below Virgin's aspirations for its brand, threatening to devalue it. "Legally we had to drop the MGM name," Mr Burke says. "But we should have waited longer before we introduced Virgin."

Mr Burke says Virgin Cinemas has benefited from last year's upturn – largely thanks to *The Full Monty* and *Tomorrow Never Dies* – and its innovations have worked well.

Virgin's principal problem is that competition to secure new multiplex sites has proved fiercer than expected. Its timetable of UK openings has been extended and the group is now looking for sites overseas.

The group has rejected Germany, France and Spain as too competitive and decided to take its multiplex concept to the US and Japan. Mr Burke expects to spend up to $30m in each country to open initial chains of six cinemas. "It's typical Richard Branson thinking," he says. "If Virgin has something that works in one country, he can't see why we shouldn't take it international."



PolyGram bonds, Page 19

NEWS DIGEST

OFFSHORE CENTRES

Bailiff defends 'integrity and honour' of Jersey

"Jersey is not a haven for money launderers and those engaged in fiscal fraud," the island's Bailiff, Sir Philip Bailhache, said at a dinner in honour of the Lord Mayor of London, Alderman Richard Nichols. The mayor is on an official visit to the island finance centre between England and France. Jersey, like other offshore centres close to the UK, is to be covered in a UK government review of regulation standards. Sir Philip said that false perceptions persist in some quarters that Jersey is a home for underhand dealings. "The truth is that Jersey stands shoulder to shoulder with the Corporation of the City of London in defence of the highest standards of probity, integrity and honour," added Sir Philip, who heads both the island's judiciary and legislature. "As in every jurisdiction, a few rotten apples there may be, but the Jersey barrel itself is wholesome and strong." **Philip Jeune, Jersey**

THE ECONOMY

Services push domestic growth

The sustained surge of activity within the UK's service sector continues to keep domestic economic growth going despite faltering exports, according to a survey released yesterday. A report by the British Chambers of Commerce showed that the imbalance within the economy continued to tip towards services during the first quarter of this year. Service sector companies continued to report strong growth in output, orders, employment and profitability. Manufacturing companies reported very weak export sales and orders, but domestic demand for manufactured goods has kept overall output just below its trend level. The BCC survey is the biggest of its kind and covers nearly 9,500 companies employing more than 1m workers. **Richard Adams, London**

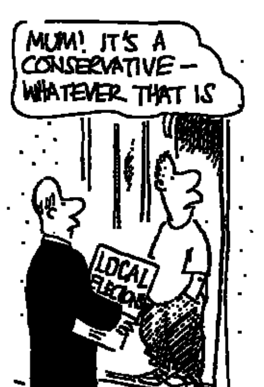
TOURISM

Cuts urged in hotel tax

The British Tourist Authority yesterday urged the government to cut value added tax on hotel accommodation to bring the industry into line with overseas competition. It claims the tourism industry could grow by £3bn ($5bn) a year if VAT on tourist accommodation was cut to 8 per cent from 17.5. A report by accountant Deloitte and Touche, commissioned by the BTA, says Britain has the highest rate of VAT for tourism services of any country in Europe, apart from Denmark. The culture department, with responsibility for tourism, said little evidence existed to suggest people decided where to holiday on the basis of local tax rates. **George Parker, London**

EUROPEAN UNION

Ex-minister calls for pride



Michael Portillo, chief defence minister in John Major's Conservative government, yesterday reopened the opposition Conservative party's debate on Europe, by arguing for Britain to be proud of its place at the outer rim of a centralised European Union. Mr Portillo, a strong Eurosceptic and a valued adviser to William Hague, Mr Major's successor as party leader, said Britain should have the courage to admit it does not share the same view of Europe as some other EU states. "Britain could have real influence if it were willing to lead, not by limply falling in line with things it thought harmful or anachronistic, but by staying outside some of these arrangements," he said in a lecture to young business leaders. Mr Portillo, a staunch opponent of the single currency and further EU integration, said Britain had in mind "a completely different destination" for Europe.

● The Conservatives yesterday launched their local election campaign hoping to end a decade of decline in municipal authorities. Lord Parkinson, party chairman, said it had transformed its approach to local government, which was often treated with disdain by the party hierarchy. **George Parker**

SPACE MICROGRAVITY

The mission to break down nerves

Nasa's latest shuttle flight will study the effect of gravity on the nervous system, writes **Miranda Eadie**

Nasa's space shuttle Columbia was due to *blast off yesterday* from Cape Canaveral for a 16-day mission dedicated to the study of the nervous system and the role it plays in controlling blood pressure, maintaining balance, co-*ordinating movements and* regulating sleep – all of which are disrupted during space flight.

An orbiting spacecraft provides unique conditions for conducting this research. On earth, all life evolves, develops and functions under the influence of the planet's gravitational field. It is only through removing this variable that its influence can be determined. Since it is impossible to do this on earth, experiments that aim to discover gravity's role need to be carried out in the microgravity (very low gravity) environment of space.

Information acquired by carefully monitoring physiological changes that occur during space flight will lead to increased biomedical knowledge. That knowledge can be used to counteract the negative effects of space flight.

It may also be applied on earth in the treatment of disorders related to the nervous system, such as insomnia, motion sickness and Parkinson's disease.

"Once the workings of a system have been understood, therapeutic means of counteracting disorders of this system can then be found," says Benny Elmann-Larsen, senior physiologist at the European Space Agency, one of the international partners involved in the Neurolab mission.

For example, when astronauts return to earth after a space mission, they suffer from dizziness and fainting, similar to feelings encountered by elderly people who stand up too quickly after waking up. This problem, known as orthostatic intolerance, is caused by a lack of blood reaching the brain.

On earth the head is above the heart and the cardiovascular system has to work against gravity to maintain blood flow to the brain. In *space, however, the heart no* longer has to pump against the force of gravity. As a result, changes take place in the blood pressure control system that mean that astronauts suffer from orthostatic intolerance when they return to earth.

The study of all aspects of these changes – including whether the blood pressure sensors in the cardiovascular system are working properly, or if adequate messages are being sent to the heart from the brain – will enhance understanding of the problem.

"The 50,000 Americans *with orthostatic intolerance*

Experiments will investigate if there are changes in the brain that regulate sleep

have a genuine stake in the outcome of this mission," says David Robertson, director of the Chemical Research Centre at Vanderbilt University, Nashville.

"Results from the experiments will help define the nature of the disorder and bring us closer to the day when orthostatic intolerance will yield to therapeutic intervention."

Having a ball: Jim Pawelczyk, payload specialist, plays catch as part of an experiment

Similarly, in space, astronauts suffer from sleeping difficulties. A number of factors could contribute to this *such as launch and mission* work schedules, the physiological effects of weightlessness, and the loss of a natural 24-hour light-dark cycle (an orbiting spacecraft circumnavigates the earth once every 90 minutes which means there are 16 sunrises every 24 hours).

Experiments carried out during the flight will attempt to clarify which factors influence sleep. In particular, they will investigate if there are changes in the brain that regulate sleep and if there is a relationship between the microgravity-induced changes in respiration and sleep.

Tests will also be made to see if melatonin – a hormone secreted by the body at night – is effective as a hypnotic aid to sleep.

"As we seek a solution to the problems of sleep experienced by astronauts in space flight, we face the exciting prospect of also benefiting *groups of people everywhere* with a high prevalence of insomnia, such as shift workers and the elderly," says Charles Czeisler, a sleep specialist at Brigham and Women's Hospital, Boston.

Snails in space will be studied for the effect of microgravity

Experiments to be carried *out with rats during* the flight will investigate whether gravity is necessary for normal development of the nervous system, and if so, whether there are "critical periods" during which it must be present for faculties such as motor skills to develop properly.

Understanding the nature of these critical periods is important in paediatrics. For example, knowledge of the critical period for developing normal vision has changed how "lazy eye" is treated in children.

Further experiments on the mission will expand this knowledge to the control of movement, regulation of blood pressure and maintenance of balance.

HEALTH PHARMACEUTICALS

Spawning a painkiller

Richard Cannell on how a poisonous frog may help millions of sufferers

A small, brightly coloured tree frog from the forests of Ecuador may improve the lives of millions of people around the world suffering from acute and chronic pain.

Its skin contains a compound that acts as a painkiller more than 200 times more powerful than morphine.

The compound is the basis of a new drug being developed by Abbott Laboratories, the US pharmaceutical company, which hopes it will have all the benefits – and more – of morphine, without its main drawbacks such as dependence, respiratory depression and sedation.

The chemical was first isolated in 1976 by John Daly, a chemist at the Maryland-based National Institute of Diabetes and Digestive and Kidney Diseases. He has spent the past 30 years investigating the chemicals that give the skins of many amphibians their poisonous reputation.

After noticing that the compound caused the same sort of responses in mice as did morphine, he discovered its potent analgesic properties. He named this compound epibatidine in honour of the frog from which it came, Epipedobates tricolor.

At first, however, he did not know what the compound was – and to find out required more compound. But the frog was a protected species and could not be collected, and to add to the difficulty, frogs reared in the laboratory did not contain the chemical in their skin.

So the sample was put to one side. A decade later, technology had advanced *and it was possible to obtain* the chemical structure from Dr Daly's original material. It was then found that this compound bore some structural similarity to nicotine.

Researchers at Abbott were looking at compounds of this type, that act on the same receptors in the cell as nicotine, with a view to finding drugs to treat Alzheimer's disease.

Chemists synthesised epibatidine and played around with its structure; they made a range of modifications and eventually came up with ABT594, which still acts as a powerful painkiller but lacks *epibatidine's additional* toxic properties. Moreover, because it acts by a completely different mechanism, it should also be free of morphine's side-effects.

If a frog seems an unlikely place to look for new drugs, it is worth remembering that the pharmacological properties of such animals have long been appreciated by many groups of people worldwide. Any self-respecting witch's potion *contains* something akin to "eye of newt and toe of frog" – and not without reason.

Indians of South and Central America use toad and *frog poisons to* make poison-arrows for hunting. The frog benefits by making itself unpalatable to predators, and often tends to produce the toxic skin secretion when under direct threat or attack. Sometimes, frogs caught in the forest are kept captive until hunting time and then impaled with a stick down their throat and out of one of the legs to cause *them to secrete* the loading for the arrows.

Frogs raised in the laboratory cannot be induced to produce epibatidine, and frogs of the same species but from different locations may produce different chemicals, suggesting that the frogs do not make the compound but rather obtain it from particular insects or microbes that they eat or which live in close association with them.

There are an estimated 30m-40m people in the US alone with moderate to severe pain that cannot be dealt with by painkillers such as paracetamol. If this drug comes through clinical trials, many of these may come to thank a small tree frog in a faraway place.

A poisonous frog from Ecuador: it produces toxic secretions when under threat — Science Photo Library

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CONTRACTS & TENDERS

THE MINISTRY OF COMMUNICATIONS

The Romanian Post Office Privatization Project

Consultancy Services for Corporatization and Preparation for Privatization (Stage One)

Specific Procurement Notice

1. This invitation for bids follows the general procurement notice for this project that appeared in the Financial Times, issue no. D8523A of April 9th, 1998, and in the International Herald Tribune, issue no. 35801 of April 9th, 1998.
2. The Ministry of Communications (MOC) of the Government of Romania and the Romanian Post Office (RPO) have decided to implement the strategy for restructuring of the postal services sector through the Romanian Post Office Privatization Project (the Project). The Project is phased in two stages, as follows:

   Stage One: Corporatization and Preparation for Privatization of RPO;
   Stage Two: Privatization of RPO by Initial Public Offer (IPO).
3. The MOC and RPO now intend to hire Consultants for Stage One: Corporatization and Preparation for Privatization of RPO, and invite sealed bids from eligible bidders for:
   - Financial Audits - according to the Romanian Accounting Standards and International Accounting Standards, and RPO Financial Forecast;
   - Assistance for the transformation of RPO from its present status as a Regie Autonome to a joint stock company;
   - Development of Financial Management Action Plan for RPO;
   - Business Advisory Services (to forecast potential business and services, etc);
   - Preparation of Stage Two Term Sheet.
4. The Stage Two of the Project will be scheduled upon the completion of the Stage One. The key objectives of Consultancy Services for Stage Two (Privatization of RPO by IPO) will comprise the development of a valuation of the company and a sale strategy, and sale of RPO's shares.
5. Bidding will be conducted through an international competitive bidding procedure, according to Romanian legislation. Interested eligible bidders may obtain further information from the RPO at the address given below from 10.00 to 16.00 hours, local time, Monday to Friday.
6. During the period April 21st-30th 1998, from 10.00 to 16.00 hours, local time, a complete set of bidding documents in English may be purchased by interested bidders on the submission of a written application to the address below and upon payment of a nonrefundable fee of US$1,500. The method of payment will be direct deposit to the RPO account no. 25.110.090.090777.300.00.9 BANCOREX, Victoria Branch, 155 Calea Victorici Av., 70012 Bucharest, Romania. The documents will be sent by international courier or handed to an authorized local representative presenting a proper power of attorney.
7. Bids must be delivered to the address below at or before 12.00 hours, local time, June 5th, 1998. All Stage One bids must be accompanied by a bid security of US$50,000. Late bids will be rejected. Bids will be opened in the presence of the bidders' representatives who choose to attend at the address below at 12.00 hours local time on June 15th, 1998.

Romanian Post Office,
14 Libertatii Avenue,
70106 Bucharest 5,
Romania
Attn: Mr. Gabriel Mateescu
Phone: +40 1 400 1102
Fax: +40 1 400 1515

Republic of Turkey

Prime Ministry - Undersecretariat of Customs

Public Finance Management Project (PFMP) - Customs Modernisation

Invitation for Bids for a Turnkey Electronic Data Interchange (EDI)

1. The Republic of Turkey has received a loan from the International Bank for Reconstruction and Development (the World Bank) in US dollars towards the cost of the Customs Modernization component of the Public Financial Management Project (PFMP). It is intended that part of the proceeds of this loan will be applied to eligible payments under a contract for Electronic Data Interchange (EDI).
2. The Customs Undersecretariat of the Prime Ministry is the Executive Agency of the Customs Modernization component of the Public Financial Management Project, and hereafter is referred to as 'the Purchaser'. The Purchaser now invites sealed bids from eligible bidders for the development, supply, installation, implementation and support of an EDI Solution comprising mostly of software components, networking, installation and training plus some limited hardware. The Purchaser requires a turnkey EDI solution (either packaged, custom developed or a combination of the two approaches) that has the following components:
   - Customs EDI Gateway - for the initial receipt of EDIFACT messages sent to Customs by traders. It must be able to reject and generate an EDI response to any message that fails first-line validation and forward validated messages via the internal Customs network to the applicable production site. Conversely, the gateway must be able to receive and forward EDI responses originating from Customs production sites to the applicable recipient. Hardware to host a single gateway is required, plus all installation, training and networking requirements.
   - Customs EDI Translator & Interpreter - a facility to interpret EDIFACT messages into a format that can be processed by the Purchaser's system. Conversely, responses generated by the Purchaser's system must be interpreted and converted into EDI responses and transmitted back to the ultimate recipient via the gateway. The purchaser prefers that the Gateway and Customs EDI Translator & Interpreter are two separate and independent applications, with the translator installed and operational on each production server. However, a solution that centralizes and combines the gateway and the translator on a single platform will be considered.
   - Traders EDI Package - a facility for traders who do not wish to undertake major enhancements to make their own systems EDI capable. The package would control EDIFACT transmissions to and from a Customs EDI Gateway, translate messages and map them into a format compatible with the trader's existing applications and conversely map data from the trader's system for conversion into outbound EDIFACT messages. The Purchaser will pay for the development/adaptation of this software, with the Supplier selling the package directly to interested traders at a pre-agreed price.
   - Customs Website for Electronic Commerce - to accommodate small traders or those with limited IT capabilities or resources. Web client applications are needed to emulate the Purchaser's production system data-entry programs for the input of manifest or declaration data via the internet. After input and validation, the details should be converted to an EDIFACT format and transmitted via the gateway for onforwarding to the ultimate production site. An electronic mailbox facility for the storage of interpreted EDIFACT response is needed, plus a method for the responses to be viewed or forwarded via e-mail. Suitable hardware is also required to house the website.
3. Interested eligible bidders may obtain further information from and inspect the Bidding Documents at the office of the Purchaser as follows:

   Customs Modernization Project Management Support Services (PMSS) Unit
   Customs Undersecretariat
   Anafartalar Cad. No. 6, Kat-14
   06100-Ulus, Ankara, Turkey

   Tel: +90-312-306-8439
   Fax: +90-312-306-8535
4. A complete set of Bidding Documents may be purchased by interested bidders by submission of a written application to the address above and upon payment of a non-refundable fee of US$100 (One Hundred US Dollars or the equivalent in Turkish Lira converted at the official Central Bank exchange rate on the date of payment). Payment may be made by deposit or wire-transfer to Account Number 350-101-106 (Accounting Directorate of the Prime Ministry) at the Ankara Branch of the Central Bank of the Republic of Turkey. Upon proof of payment (a copy of the Central Bank deposit receipt or verification of the wire-transfer of the funds), the Customs Undersecretariat will promptly dispatch the documents by courier, but under no circumstances will it be held responsible for the late delivery or loss of the documents so dispatched.
5. The provisions in the Instructions to Bidders and in the General Conditions of Contract are the provisions of the World Bank 'Standard Bidding Documents: Procurement of Information Systems, International Competitive Bidding'.
6. Bids must be delivered on or before 14:00 hours Ankara time on Tuesday June 2, 1998 to the address above and will be opened in public immediately thereafter in the presence of the representatives of Bidders who choose to attend at the above address.
7. All bids must be accompanied by a Bid Security of not less than three (3) percent of the Bid Amount in the form of a bank guarantee issued by a reputable bank selected by the Bidder or Treasury Bonds issued by the Republic of Turkey.
8. Please note that the Purchaser is not bound by the provisions of Turkish National Bidding Law No. 2886.

WALES SEMICONDUCTOR TRAINING CENTRE

OPPORTUNITY TO TENDER

The Welsh Development Agency and the Wales Semiconductor Training Company (a subsidiary company of the 3 South East Wales Training and Enterprise Councils) have established a major training centre, primarily to serve the semi conductor manufacturing industry at Imperial Park, Newport.

The Centre will be a focal point for the training and development in this sector, providing opportunities for those wishing to enter the industry and to provide facilities for companies wishing to develop the skills of their workforces.

We are inviting expressions of interest for organisations to enter into a partnership with the company to operate the Training Centre, including the delivery of the company's Business Plan and developing initiatives to further improve the skills of *the semiconductor sector.*

Should you wish to consider tendering, please write or fax for tender details to:

Lyn Webb at Gwent Training and Enterprise Council,
Glyndwr House, Cleppa Park, Newport, NP9 1YE
Fax: 01633 810980

by latest 5.00 pm on 24 April 1998. Full tenders will be required by 8/5/98.

HRVATSKA ELEKTROPRIVREDA d.d.

Ulica grada Vukovara 37, 10000 Zagreb, Croatia

Pursuant to the *Law* on procurement of goods, services and works (Narodne novine broj 142/97) Hrvatska elektroprivreda d.d. issues this

INVITATION TO BID

for turnkey construction and financing of HPP Lešće in Croatia

1. The Employer is Hrvatska elektroprivreda d.d., Ulica grada Vukovara 37, 10000 Zagreb, Croatia.
2. The subject of the public tendering is construction on *turnkey* basis of hydroelectric power plant Lešće on Gojačka Dobra River in Republic of Croatia, of installed capacity of 42,29 MW, including financing of the works.
3. The scope of this turnkey project covers design, project management, civil works, procurement, manufacture, supply, delivery, erection, testing and commissioning of the plant, equipment and facilities of Lešće hydroelectric power plant, as described and specified in the Bidding documents.
4. The objective of this stage of the tendering process is a selection of capable and suitable bidders, with a view of continuing tendering process with selected eligible bidders at a later stage until final selection of the contractor for execution of the works.
5. The tendering process is open to *all eligible bidders*, as stipulated under Article 6 of the *Law*, regardless of their place of business activity or registration.
6. Interested eligible Bidders may obtain further information and purchase Bidding documents at Hrvatska elektroprivreda d.d., Team for implementation of HPP Lešće, Zagorska ulica 1, 10000 Zagreb, Croatia. Contact person is Mr. Dalibor Bojanić, team leader, telephones 01/393948; 01/6125770, telefax 01/393950. A complete set of Bidding documents in English or Croatian may be purchased by any interested eligible Bidder on the submission of a written application and upon payment of a non-refundable fee of DM 1,500.00 to the foreign currency account No. 7001-280-3557049 of Hrvatska elektroprivreda d.d. at Zagrebačka banka d.d. Zagreb.
7. Bids must be delivered to the address of Hrvatska elektroprivreda d.d., Ulica grada Vukovara 37, 10000 Zagreb, not later than 10.00 a.m. local time on July 16, 1998.
8. Only those *bids shall* be taken into consideration which cover complete works and which are in full conformity with the Bidding documents.
9. The bids shall be valid for 150 days after Bid opening and must be accompanied by a bid security in the amount of DM 1,000,000 (one million DM) or its equivalent in Croatian kuna.
10. The bids will be opened, in the presence of the authorised Bidder's representatives who choose to attend, at exactly 12.00 hours local time on July 16, 1998 in Hrvatska elektroprivreda d.d., Ulica grada Vukovara 37, 10000 Zagreb, room No. 122.
11. In comparison and evaluation of the Bids the Employer will apply a margin of domestic preference in accordance with Article 8 of the *Law*.

ROMA DUEMILA SPA
IN THE NAME OF AND ON BEHALF OF FERROVIE DELLO STATO
SOCIETA' DI TRASPORTI E SERVIZI PER AZIONI
EXTRACT OF CALL FOR BIDS

GRUPPO FS

Roma Duemila S.p.A., in the name of and on behalf of F.S. S.p.A., hereby announces a public competition for the search and *selection of* individual persons and/or Associations between persons, interested in the acquisition of ownership of the area situated in ROME - STAZIONE S. PIETRO, for a total of approx. 7,825 sq.m., 400 sq.m. of which public right of way, as identified in the NCT map 430 parcel numbers 121 part, 387, 118, 135 and 385. On the said area the service equipment must be realised, as foreseen in the "Plan of Order" according to the "Programme Agreement" of 1.08.97 and as resulting from the "Services Conference" as per art. 4 of Italian Law 396/90.
The total realisable volume of the area, object of the present call for bids, is equal to 50,676 c.m., corresponding to a gross surface area of 14,200 sq.m. realisable for new interventions, divided as follows:
- 5,500 sq.m. for reception activities;
- 3,285 sq.m. for cultural activities;
- 2,000 sq.m. for general services;
- 2,500 sq.m. for commercial and para-commercial activities;
- 915 sq.m. for artisan activities to be relocated.

Furthermore, the realisation of 8,056 sq.m. of pertinent underground parking spaces and a maximum of 15,000 sq.m. underground parking, substitute for roadside parking, is foreseen.
The actual execution of *the operations* is subject to advanced approval of the final project, in the process of being finalised, by the competent Bodies and, in particular, by the above mentioned "Services Conference" ex art. 4 of Law 396/90.
To be admitted to this qualification phase, the interested parties, either singly or in association, must prove to have, directly or indirectly, adequate economic/financial, entrepreneurial, practical and management capabilities and must have experience predominantly in the realisation and management of reception and commercial activities as well as experience in the realisation and management of recreative, cultural and parking structures such to guarantee the effective accomplishment *of the operations* for the 2000 Jubilee. Interested parties should present their application in Italian and with all the documentation requested in the complete *call for bids, no later than 15.05.98* at the following address: ROMA DUEMILA SPA - VIA DEI DUE MACELLI N.9 - 00187 ROMA - ITALY. The complete call for bids can be viewed at the above mentioned office.

ROMA DUEMILA SPA
Ing. Giovannino CAPRIO

LEGAL NOTICES

IN THE MATTER OF
P.B.A. (OVERSEAS) LIMITED
- and -
IN THE MATTER OF THE
CYPRUS COMPANIES LAW CAP 113

Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 16th day of May 1998 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Dinos N Papadopoulos, FCA of Coopers & Lybrand, Julia House, 3 Th Dervis Street, PO Box 1612, CY-1591 Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 17th day of April 1998

Dinos N Papadopoulos, Coopers & Lybrand
Liquidator

IN THE MATTER OF
INTRAFOREX LIMITED
- and -
IN THE MATTER OF THE
CYPRUS COMPANIES LAW CAP 113

Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 16th day of May 1998 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Dinos N Papadopoulos, FCA of Coopers & Lybrand, Julia House, 3 Th Dervis Street, PO Box 1612, CY-1591 Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 17th day of April 1998

Dinos N Papadopoulos, Coopers & Lybrand
Liquidator

IN THE MATTER OF
ABV CONSTRUCTION LIMITED
- and -
IN THE MATTER OF THE
CYPRUS COMPANIES LAW CAP 113

Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 16th day of May 1998 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Dinos N Papadopoulos, FCA of Coopers & Lybrand, Julia House, 3 Th Dervis Street, PO Box 1612, CY-1591 Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 17th day of April 1998

Dinos N Papadopoulos, Coopers & Lybrand
Liquidator

BUSINESSES FOR SALE

CHRISTIE & Co

SURVEYORS, VALUERS & AGENTS

EAST SUSSEX

NURSING HOME
REGISTERED FOR 29
- Weekly fees from £303-£630.
- Substantial property with purpose built wing, 8 person passenger lift.
- *Staff/owner's flat* plus detached 3 bedroom coach house, site extends to 3 acres (subject to survey).

£895,000 FREEHOLD
London Office Ref 005/FT1843
0171 227 0700

MIDDLESBROUGH

RESIDENTIAL CARE HOME
REGISTERED FOR 10 EMI
- Excellent reputation in area with *good occupancy levels.*
- 8 single and 1 twin bedroom.
- Income year end 31.8.96 £109,271.

£175,000 FREEHOLD
Newcastle Office Ref 64/FT7666
0191 222 1740

DORSET

NURSING HOME
REGISTERED FOR 27
- Purpose built and trading with strong occupancy.
- Fee range £311-£400 per resident per week.
- 15 single rooms and 6 double rooms, some with en suite provision.
- Fee income from Management Accounts for 9 months ended 31.3.97 £287,418.

£550,000 FREEHOLD
Winchester Office Ref 38/FT74854
01962 844455

NORTH SOMERSET

BY DIRECTION OF
Coopers & Lybrand

LINDEN HOUSE NURSING HOME, YATTON, REGISTERED FOR 20
- Passenger lift. High Street location.
- 12 single and 4 twin rooms.
- Manager run.

OFFERS INVITED FREEHOLD
Bristol Office Ref 34/FT1408/R
0117 974 4566

CENTRAL SCOTLAND

HARVIESTOUN COUNTRY INN
- Fully refurbished to outstanding effect.
- Ideally situated between Stirling and St. Andrews.
- Bar, bistro, function suite, 10 en suite letting rooms, car park.
- Highly sought after.

£445,000 FREEHOLD
Glasgow Office Ref 68/FT45004
0141 204 3000

MIDDLESEX

NURSING HOME
REGISTERED FOR 38
- Quality purpose built private nursing home. 36 single and 1 twin bedroom, 8 person passenger lift.
- Weekly fees from £329 to £525, with an average of £425.
- Draft fee income year end 31.3.98 £757,417, run by matron.

£1,400,000 FREEHOLD
London Office Ref 005/FT1842
0171 227 0700

LONDON

HOTEL, BAYSWATER, W2
- London 3 star standard hotel.
- 59 en suite letting bedrooms.
- Refurbished to a high standard.
- Forecasted T/O to year end 31.3.98 £600,000.

£4,750,000 FREEHOLD
Contact Craig Millward
Ref 20/FT400
0171 227 0700

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BUSINESSES FOR SALE

Maintainer Depot Services Limited

(In Receivership)

West Thurrock, Grays, Essex

The above company's main activity is the repair and storage of containers:

- 12.5 acres leasehold site
- 8,000 + TEU's storage capacity
- 700sq metres of workshop space
- 25 employees
- current annual turnover £1.3million.

For further details please contact the Joint Administrative Receiver, Andrew Conquest, Grant Thornton, Crown House, Crown Street, Ipswich IP1 3HD.

Tel: 01473 221491.
Fax: 01473 286206.

Web Site: http://www.grant-thornton.co.uk

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This leading international investment company seeks to recruit a Trading Specialist for its Real Estate/Mortgage Group whose main responsibility will be the development and implementation of a Real Estate/Mortgage Business Plan for Europe, involving international financial trading techniques developed in the U.S., including securitization, conduit lending and non-performing loan financing. The incumbent will undertake new business development, on-going client relationship management and marketing of all mortgage/real estate related debt positions in Europe. Salary negotiable. Applicants, educated to degree level with minimum 5-6 years' relevant business experience with extensive expertise in trading global real estate markets should write, enclosing full curriculum vitae to Box A6123, Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESS SERVICES

German VAT Reclaim Service

Your company may be entitled to claim German VAT (sales tax) refunds for 1997
Meet the deadline June 30, 1998 and contact us by telefax (New York) 5048165 or email ueder@csl.com

BUSINESSES FOR SALE

Appear in the Financial Times every Tuesday, Friday and Saturday.
For further information, or to advertise in this section, please contact
Melanie Miles Tel: 0171 873 3349
Fax: 0171 873 3064

RECRUITMENT

RICHARD DONKIN

The rhythm of work

Emancipating work will help employees produce results that make a difference

Henry Noll was a remarkable worker. He could single-handedly load 45 tons of pig iron on to rail trucks in a 10-hour shift at the Bethlehem Iron Company in Pennsylvania. We know this because his efforts were timed to the second by Frederick Wynslow Taylor, the man whose experiments have become stamped upon the working practices of the 20th century.

In soviet Russia, Noll would have been a hero of the revolution, his exploits feted as an example to workers everywhere. He was no less a hero to Taylor, but his fellow workers viewed him differently. None but Noll could keep up sufficiently to earn performance rates based on exceptional output set by a team working flat out for one day at Taylor's urging.

But Taylor used the example of Noll to illustrate the effectiveness of his approach. With the addition of motion studies, pioneered by Frank and Lillian Gilbreth, and the moving assembly line, industrial engineering just before the first world war found it had processes capable of mass production on a scale that had not been possible before.

No wonder the emerging ideologies of Marxism under Lenin and Fascism under Mussolini warmed to its possibilities. Lenin and Trotsky worked to introduce Taylor's scientific management into the soviet system, overlooking Lenin's criticism that it involved the "enslavement of humankind to the machine".

Neither system, however, was able to harness its potential so successfully as those who practised capitalism. As we approach the end of the century we might reflect that a process for the organisation of work can lay claim ultimately to having more influence on the past 100 years than any emergent ideology.

Peter Drucker recognised as much in his 1994 book *Post Capitalist Society* when he placed Taylor, not Marx, with Darwin and Freud, as the three most important figures to have an impact on modern society.

Many socialists were initially sold on the idea of Taylorism as a way of producing more wealth with less labour. In fact, in tandem with technological advances which had concentrated labour in factories, it generated growth leading to increasing demand for labour. But it also seemed to contribute to the severity of fluctuations in economic cycles.

Neither did it do much for job satisfaction. The pride that went with learning a set of skills or a craft was reduced to drudgery by the demand for single, repetitive tasks.

As Robert Kanigel observes in his biography of Taylor, prior to Taylorism the ordinary worker had become used to "soldiering" – the practice of working within himself with occasional spurts of activity when the boss came along.

E.P. Thompson recognised that the same was true of unsupervised work. In *Work-Discipline and Industrial Capitalism*, he noted that, before the industrial revolution, work was characterised by "alternate bouts of intense labour and idleness, wherever men were in control of their working lives. This pattern persists among the self-employed – artists, small farmers, and perhaps also with students – today and provokes the question whether it is not a 'natural' human work-rhythm."

Is the decrease in supervision and the advent of the self-managed worker evidence that greater numbers of employees are within sight of working to their own natural rhythm today? This does not seem to fit with reports that many office workers and managers are working 60-hour weeks and beyond.

Maybe there is a need to invent an antidote to scientific management – artistic management, perhaps – dedicated to exploiting the most productive work of individuals.

In his book, *The 80/20 Principle*, Richard Koch suggests that 20 per cent of our output is responsible for 80 per cent of our production. In other words the other four-fifths of our working time is responsible for just a fifth of what we produce. The idea is based on the 80/20 principle of Italian economist Vilfredo Pareto, described in 1897.

This phenomenon is recognised in business – 20 per cent of a company's products generate 80 per cent of its business. It is also true in other walks of life – 20 per cent of criminals account for 80 per cent of crime; 20 per cent of motorists cause 80 per cent of accidents; and 20 per cent of your clothes are worn 80 per cent of the time.

George Zipf, a Harvard professor of philology, elaborated on Pareto's observations with his Principle of Least Effort. This idea condones the messy desk on the basis that frequency of use draws near to us the things that are used frequently.

Mr Koch, who draws parallels between the 80/20 principle and chaos theory, has used the idea in just about everything he has done, finding that knowing 20 per cent of the course material in detail for his degree enabled him to get 80 per cent of the marks.

His ideas suggest we should make the most of our luck, look for short cuts, be selective rather than exhaustive and, most importantly, calm down and work less while focusing on a few attainable goals rather than spreading our talents too thinly.

Mr Koch believes it is time to rid ourselves of the Protestant work ethic. "Hard work leads to low returns. Insight and doing what we ourselves want leads to high returns," he writes. His "patron saints of productive laziness" are Ronald Reagan, "who made an effortless progression from B-film actor to darling of the Republican right", and Warren Buffett, whose investment strategy, which "borders on lethargy", is to invest in a small hand-picked portfolio of stocks for the long term.

Mr Koch lists 10 "golden rules" for career success, 20 per cent of which are worth quoting:

- Specialise in a small niche and develop a core skill.
- Choose a niche you enjoy at which you can excel.

The rest are self-evident.

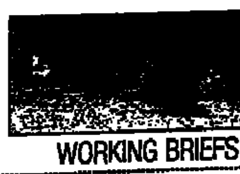
His other wonderful message is that we should give up feeling guilty when we are not working hard. Do the things that you like doing and make them your job, he says.

So as we approach the end of the century with the shadow of Taylorism still visible in so many forms of work and with no prospect of any ideology replacing or improving the capitalist system, we might yet hope that there is a better way to work and live our lives.

As the working day becomes increasingly bogged down by the new communications such as e-mails, it is easy to find your work agenda dictated by the demands of other people. We need to salvage our natural rhythm and emancipate our work so that it is directed to producing results that are going to make a difference.

The One Best Way by Robert Kanigel, Viking, $34.95.
The 80/20 Principle, Nicholas Brealey, £9.99.

richard.donkin@FT.com



WORKING BRIEFS

Staff retention and recruitment highlighted in surveys

Staff retention is becoming a growing issue for many companies, according to two new employer surveys.

Reed Personnel Services, the recruitment company, found rising staff turnover rates over the past three years in a third of 419 employers questioned. Watson Wyatt, the employee benefits and human resources consultancy, which looked at 650 companies, said half were having problems retaining staff and three-quarters were having problems attracting people to work for them.

The Reed survey found that average staff turnover rates across all sectors was running at 13 per cent, although in retail it has risen to 26 per cent, three times that in manufacturing at 9 per cent.

The reasons would seem to be obvious. While any kind of opening may be acceptable when jobs are scarce, as business picks up and companies begin to expand resulting in more vacancies, those who took their job out of necessity are going to move if it is low paid and offers few prospects.

Career progression was listed by those employers questioned by Reed as the main reason for people leaving with increasing pay, the second most important reason. This may explain why the most popular response to increasing staff turnover has been to improve training opportunities. After several years of delayering it is interesting to note that another popular remedy has been to increase salary banding or job grading.

Roger Dolphin, Watson Wyatt, 44 1926 843100, Katie Nicholson, Reed Personnel Services, 44 171 495 3005.

Fears over personnel role

An Industrial Society survey of 706 employers has unearthed management fears about the effectiveness of transferring personnel responsibilities to line managers.

While two-thirds of the respondents were giving line-managers greater responsibility for personnel management – almost nine out of 10 of the employers, for example, now expect line managers to decide who receives training – the research found widespread fears that managers may experience difficulty coping with the added responsibilities.

Devolving Personnel to Line Managers, price £55, tel 44 121 410 3000.

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ACCOUNTANCY APPOINTMENTS

Group Financial Accountant

Oxford **£35-40,000 + Car**

Electrocomponents plc is a highly rated listed company with a market capitalisation in excess of £2 billion. It is the market leader in the catalogue distribution of industrial components. Its 1997 results showed sales of over £600 million and profits of £112 million.

Rapid growth in Europe and in Asia, has created the need to reinforce the group finance team, based in the new international management centre in Oxford.

Reporting to the Group Controller, the Group Financial Accountant (GFA), will ensure that the Group's external reporting maintains best practice and will add value to the Group's operations through the effective management of tax.

Specific responsibilities will include:

- Preparation of the Group's published accounts.
- Analysis of new reporting standards, ensuring Group compliance.
- Co-ordination of international tax planning.
- Provision of support to international finance staff.

The ideal candidate will be an ACA with circa two years PQE. Technical competence is a prerequisite, but to be truly effective in the role, the GFA must have a strong commercial focus to direct the application of those skills.

The international dimension demands first rate communication skills. The ability to work effectively in teams and build partnerships with both colleagues and external advisors is essential.

Interested candidates should write, enclosing a full curriculum vitae, current salary details and daytime telephone number to Mr Ifti Uddin ACMA at Michael Page Finance, 40-42 High Street, Maidenhead, Berkshire SL6 1QE. Fax 01628 785495. e-mail: iftiuddin@michaelpage.com Please quote reference 414989.

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FINANCE

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Group Finance Director

West Midlands **c £55,000 + FX Car + Benefits**

Established in 1985, BHD Group is a manufacturer of aluminium patio doors, PVCu windows, conservatory products and shower enclosures. Serving the DIY replacement and New Build markets both in the UK and overseas, it enjoys significant market shares in all of its businesses. With a turnover of circa £50 million, growth has been largely organic and is expected to increase significantly over the next three years.

An opportunity has now arisen for an ambitious Group Finance Director to join the dynamic management team.

Reporting to the CEO and group board, responsibilities will include:

- Maintenance and continuous improvement of high standards of management and financial reporting.
- Management of the planning/forecasting process.
- Pro-active and commercial input into strategic planning/decision making.
- Maintenance and development of the banking relationship and cash management.
- Enhancement and development of the group IT function.

Appropriate candidates will be qualified accountants with a proven track record of achievement in a commercial environment. Ambition, confidence and a team approach are key qualities. Additionally the successful candidate will possess strong man-management and communication skills.

Interested candidates should apply in writing enclosing a current CV (including salary and benefit details) to Stephen Wilson at Michael Page Finance, The Citadel, 190 Corporation Street, Birmingham, B4 6QD. Telephone 0121 625 3380, fax 0121 625 3378 or e-mail: stephenwilson@michaelpage.com Please quote reference 415587.

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COMPASS GROUP

Consolidation Accountant

for Compass International Division (with a turnover of FRF 11 billion, 45 countries), member of Compass Group Plc.

Paris **Attractive Package**

Reporting directly to the Consolidation Manager, you will form part of a team of three people responsible for:

- Preparing the biannual divisional consolidation (60 packs from 45 countries).
- Responding to queries from the UK head office.
- Visiting countries within the division to provide technical assistance.

Aged 28-32, you must have a good working knowledge of English and French. Spanish and/or German would be an advantage. You should be a qualified accountant with at least three years consolidation experience in an international group. You must demonstrate very good organisational and communication skills, with a strong, positive and flexible personality.

For further information in complete confidence, please write to Patrick Hollard, enclosing your CV at Michael Page International, 159 Avenue Achille Peretti, 92522 Neuilly-sur-Seine cedex, France. http://www.mpfrance.com Please quote reference PH21343.

Michael Page
INTERNATIONAL

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Business Support Accountant

Reading. Salary £40,000 package

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PARIS OPERA

Stage door flung open to the world

Richard Fairman enjoys the benefits of the city's increasingly international outlook

How opera in Paris has changed. Twenty-five years ago a visitor to the city would have found an inward-looking regime, determined to maintain a stronghold for French singers against the internationalisation that was sweeping the rest of the world.

Now Paris is a world centre for opera. It has five theatres that regularly stage opera, including two of the most beautiful and historic (the Palais Garnier and the Opéra Comique) as well as one of the largest in Europe (the much-maligned Opéra Bastille). There is a desire at

There is desire at the highest level for Paris to have a dazzling amount of opera

the highest level for Paris to have a dazzling amount of opera performed by international names and not much argument about who is going to pay for it.

The patriotic French blockade of the stage door is long over. Look down the cast lists now and it is American singers who seem to be taking over. The new production of *L'italiana in Algeri*, which opened at the Palais Garnier last week, should have been a star vehicle for Jennifer Larmore, the American mezzo who has inherited the Rossini mantle from Marilyn Horne, but she cancelled the press night.

This was a shame, as the Opéra National de Paris had assembled as fine a Rossini cast as money can buy at the moment. The American tenor Bruce Ford was a sweet-voiced Lindoro and there were two vocally nimble Italians, Alessandro Corbelli as Taddeo and Simone Alaimo who showed a wicked eye for comedy playing Mustafà as a modern-day Middle East dictator. In Larmore's place, Maria José Trullu sang Isabella with fast-vibrato energy that recalled Conchita Supervia, though nerves took their toll in the slower music. Bruno Campanella took charge of some scintillating Rossini from the pit.

It was a good thing they all had plenty of personality, as Andrei Serban's raucous production did its best to upstage them – literally when a huge pair of pink plastic bosoms swung over their heads. On a Hollywood budget, he staged the sinking of the Titanic (very impressive) and rescue by what seemed to be a life-size aircraft carrier. By the interval there had already been one vulgarity too many, but I would love to have caught the wives' reaction when they saw their husbands in the chorus kitted out as pot-bellied Turks sweating in a bath-house.

At the Opéra Bastille it was native German-speakers who were in the ascendant for a new, largely impressive, production of Berg's *Lulu*. So soon after seeing this opera in the intimate setting of Glyndebourne it is harder to accept the compromises made necessary by the Bastille's vast open auditorium, especially the difficulty in catching the words. But a strongly-motivated cast and a bold, intelligent staging made their own impact.

The action was played out in a semi-circular arena, the circus-like ring of the prologue. In Willy Decker's reading of the play, Lulu the eternal female is courted, pursued and finally destroyed not by any one man in particular, but by the male race in general. Forty or 50 men, all identically dressed in dark suits, prowled on a flight of stairs above the arena.

Maybe the symbolism of the drama was treated with a heavy hand, but Decker balanced that by drawing human portrayals from his principal singers. The slim, scantily-clad Lulu of Anna-Katharina Behnke embodied the role, sensuous in a modern way; her lyric soprano, a Salome and future Eva in *Die Meistersinger*, was a touch larger than usual, an advantage at the Bastille. WolfgangSc hône was the sombre Dr Schön, David Kuebler a still youthful Alwa and Julia Juon a rich-voiced Countess Geschwitz. Not enough orchestral detail gets through in these acoustics, but the conductor, Dennis Russell Davies, judged the balance well. The ever-improving Orchestre de l'Opéra National de Paris played as skilfully in this Berg as it had in the Rossini.

The remaining outpost of the French lyric tradition is the Salle Favart, home of the Opéra Comique. No operatic trip to Paris should miss a visit to this exquisite theatre. Debussy's *Pelléas et Mélisande* is the company's new co-production, shared with Radio France.

There were new ideas in Pierre Médecin's production, but none that did violence to the delicate suggestiveness of the opera. The story was told as if Golaud was re-living events, watching from the comfort of his huntsman's armchair. Some producers fix upon Maeterlinck's symbolism of light and dark, but Médecin and his designer, Andreas Reinhardt, preferred water as their guiding symbol, and the floor of the stage was constantly awash (inconvenient for a soprano in a skimpy dress who has to lie down and then stand up again to sing).

Thanks to the unbuttoned conducting of Georges Prêtre and an able contribution from the Orchestre National de France, this was an emotional *Pelléas*. The producer wanted Mélisande to be a conniving so-and-so, full of false naiveté, which the sharp-voiced Anne-Marguerite Werster managed convincingly. William Dazeley was the not very interesting Pelléas and Christian Tréguier a vocally uncomfortable Arkel. Whether intentionally or out of necessity, Golaud became the central character of the evening. François Le Roux's magisterial singing of the role combined understanding, feeling, clarity of diction, and exceptional eloquence. Even now there is nobody to beat a Frenchman singing in his own language.

Magisterial: François Le Roux and Anne-Marguerite Werster in the Opéra Comique's production of Pelléas et Mélisande

SPONSORSHIP

Contacts come up trumps

There are certain British cultural icons that do not need government subsidy or lottery cash to transform themselves. Glyndebourne funded its new opera house with £35m raised mainly from business, and now the National Gallery is close to completing a £50m refurbishment without a penny of taxpayer's money.

In addition it also managed to persuade the three Sainsbury brothers to give around £35m to enable it to complete an extension to its Trafalgar Square home.

Both institutions share two priceless characteristics – they guarantee potential sponsors access to the highest artistic endeavour, and they have perfect settings: one on the Sussex Downs, the other 100 yards from Whitehall. Last month the National Gallery unveiled the refurbishment of its north galleries, which hold its finest French and Dutch paintings. The first stage, costing £4m, was funded by some very starry names gathered together by Sir Ewan Fergusson, chairman of Coutts and leader of the appeal, which included the Queen, the Queen Mother, the French designer Yves Saint-Laurent, who gave £1m, and his partner, Pierre Bergé, who also made a generous donation.

In sponsorship, contacts are everything. Sir Ewan believes it is much easier to raise money from individuals than from companies: the decision-making is so much quicker. That is certainly true with the refurbished National Gallery. Most of the £50m came from private patrons like Lord Rothschild, Julian Agnew, and such charitable families as the the Sacklers and the Wohls. Less than £1m is needed to finish the £8m renovation of the north galleries; then the friends of the National Gallery will fund raise for picture acquisition.

Companies are keener to sponsor exhibitions, which give them the perfect venue for corporate hospitality. The display of Dutch art this spring is supported by SBC Warburg, and in September Esso will be sponsoring the NG for the tenth successive year when Dr Jonathan Miller presents a personal choice of paintings under the theme "Mirror Image".

★

Although corporate sponsorship rose by 20 per cent last year to £100m, the arts are still very dependent on the generosity of charitable trusts.

Two such trusts are the Paul Hamlyn Foundation and the Jerwood Foundation. In the past, each year Hamlyn made grants to artists in particular art forms – successively poets, sculptors, choreographers and composers. But for the next three years it is concentrating all its resources on five visual artists, giving them each £30,000 to enable them to create without money worries for three years. Twenty established artists, including Paula Rego, Rachel Whiteread and Douglas Gordon, will make suggestions as to who should receive the cash, and then seven judges will decide between the nominations.

The Jerwood is to continuing with its Painting Prize which, at £30,000 is the largest in Britain. The judges, chaired by art historian Norbert Lynton, are seeking the widest range of entries.

Meanwhile, the Jerwood Foundation is widening its scope. It has acquired a 25,000 sq ft building alongside the new Tate Gallery of Modern Art on Bankside, to be known as the Jerwood Space, which will provide an exhibition gallery, studios, and a general home-from-home for all types of artist.

It has also launched the Jerwood Film Prize for film scriptwriters, which is being promoted with £100,000 worth of free advertising at the Warner chain of cinemas. The winner will have his, or her, script made into a 10-minute film, screened in the same cinemas.

Although corporate sponsorship rose by 20 per cent last year, the arts are still very dependent on the generosity of charitable trusts

★

Coutts Bank is raising its profile as an arts sponsor. It recently paid for the Chicken Shed Inspiration Awards, the party at the Player's Theatre to recognise friends of this charity, which involves young people of all abilities and disabilities in play acting. It also helped to rope in some of the sponsors of individual prizes, such as Sony/ATV Music Publishing, River Island, Bill Kenwright etc.

The prizes were Oscar-like awards given to active supporters such as Sir Trevor Nunn and Bob Hoskins. Chicken Shed also received £5,000 from each sponsor and, was £30,000 richer because of the evening.

★

Yet another art prize, this time for creators in digital art, has been announced. Cap Gemini, the computer services company, has put up £10,000 for the Imaginaria, the first prize to recognise computer art. The company is also employing two artists, rather than computer consultants, to make technology presentations to its business customers.

★

Chase Manhattan Private Bank is sponsoring a composer-in residence at the San Francisco Opera. Jack Heggie will have two years to compose an opera based on the book. *Dead Man Walking*. Chase Manhattan, the largest US based private bank, gives more than $500,000 a year to arts and charities on the West Coast.

Antony Thorncroft

POP: MASSIVE ATTACK'S NEW ALBUM

Sonic signal for the times

Future historians may look back at British culture at the turn of the millennium and see a country not so much revelling in coolness as wrestling in infernal gloom. They will ignore *Sense and Sensibility*, Oasis and mirthful receptions at Number Ten and point instead to the gruesome menace of Damien Hirst's unsacred cows, or the air of desperation underscoring *Trainspotting's* scabrous humour. And the soundtrack to support their thesis will surely come from Massive Attack.

No other group better captures the dread of the era than this trio from Bristol who, with their 1991 debut album *Blue Lines* produced a sullen soundscape so ahead of its time it can only be properly appreciated at the end of the decade.

Mezzanine (Circa) is only the group's third album, but they have used the time well to perfect their craft. It is a richer, more assured work than its predecessor *Protection* – no ghastly errors such as the insipid cover of "Light My Fire" – and a more textured sound gives the album depth and substance.

The two notable changes in the group's musical arsenal are the addition of the former Cocteau Twins' exquisite purveyor of ethereal gobbledygook, Elizabeth Fraser, and a liberal use of guitar over the familiar hypnotic backbeat which has come to be known as the foundation stone of trip-hop.

The employment of Fraser in particular, like the use of Tracey Thorn on "Protection", is an inspired move: on the new single "Teardrop", her folky singing gives the group one of its softest, most melodious songs; on the album's stand-out track, "Black Milk", her vocal drifts over a threatening background of tinkling piano, thumping bass and a buzzing mosquito synthesiser which coheres with devastating effect.

Fraser is only one of three guest vocalists on *Mezzanine*: elsewhere, the group members' own various growls and whispers are complemented by the familiar voices of Horace Andy and Sara Jay. It is Andy's high, soulful vocal which opens proceedings on "Angel": "You are my angel, come from way above, to bring me love" he intones celestially, only to be undermined by a slow crescendo of distinctly earthly, crashing guitar chords, which gradually ease off and fade into an uncertain resolution.

The darkness of tone continues on "Risingson", taut and urgent, defying all those who label this music wayward and dreamy, and the gentle "Teardrop" is a misleadingly pacific interlude before the sinister "Inertia Creeps", all fractured eastern inflections and rough edges.

"Exchange", an unsettling instrumental, treads water for a while; on "Dissolved Girl", Jay's sweet vocal runs into what can only be described as a Black Sabbath riff, as if the group cannot bear to allow any succour to alleviate the aural siege.

"Man Next Door", Horace Andy once more, is the nearest we get to an upbeat, orthodox reggae pounding; from here on things get increasingly troubled: "Black Milk", the dissonant title track, the rumbling "Group Four", full of foreboding, where not even Fraser's vocal can lighten the gloom. Another guitar coda, another tightening of the screw, the tension raised once more.

And then the winding down, a vocal reprise of "Exchange" which does not – cannot – do enough to resolve matters. *Mezzanine*, while representing the very best traditions of eclecticism and originality which has always fuelled the best British pop, is an unremittingly dark album. There is something sad at its core, but it still manages to lift the spirits. It is a rare combination and a telling sonic signal for the times.

Peter Aspden

INTERNATIONAL

Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Wozzeck: by Berg. Wim Trompert directs a revival of Willy Decker's 1994 production, with designs by Wolfgang Gussman. With the Netherlands Philharmonic conducted by Hartmut Haenchen; Apr 19, 21

BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
La Sylphide: revival of a production designed by David Walker and directed by Peter Schaufuss, after August Bournonville; Apr 18

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Parsifal: by Wagner. New production conducted by Christian Thielemann in a staging by Götz Friedrich; Apr 19
● Der Prinz von Homburg: by Henze. Conducted by Christian Thielemann in a staging by Götz Friedrich; Apr 24

Staatsoper unter den Linden
Tel: 49-30-2035 4555
www.staatsoper-berlin.org
Die Meistersinger von Nürnberg: by Wagner. Harry Kupfer's new production is conducted by Daniel Barenboim/Sebastian Weigle; Apr 19

CHICAGO

CONCERTS
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Tel: 1-312-294-3000
www.chicagosymphony.org
● Chicago Symphony Orchestra: conducted by Donald Runnicles in works by Wagner, Haydn, Pärt and Britten. With cello soloist John Sharp; Apr 17, 18, 21
● *Chicago Symphony Orchestra:* American premiere of Carter's Clarinet Concerto, conducted by Pierre Boulez with clarinet soloist John Bruce Yeh. The programme is completed by Mahler's Symphony No. 1 in D Major; Apr 23

COPENHAGEN

EXHIBITION
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
Francis Bacon: major retrospective including loans from around the world; to Apr 26

FLORENCE

OPERA
Maggio Musicale Fiorentino
Tel: 39-55-211158
www.maggiofiorentino.com
The Lady Macbeth of the Mtsensk District: by Shostakovich. New production by Lev Dodin, conducted by Semyon Bychkov; Teatro Comunale; Apr 21

FRANKFURT

CONCERTS
Alte Oper
Tel: 49-69-134 0400
Chamber Orchestra of Europe: conducted by Nikolaus Harnoncourt in works by Schubert, Mendelssohn and Schumann. With violin soloist Thomas Zehetmair; Apr 21

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: Michael Tilson Thomas conducts works by Mahler, Ives and Bernstein; Apr 17

Royal Festival Hall
Tel: 44-171-960 4242
● London Philharmonic Orchestra: Ben-Hur. Projection of the 1925 film with live performance of Carl Davis's Score, conducted by the composer; Apr 18
● English Chamber Orchestra: conducted by Pinchas Aukerman in works by Dvorák and Mozart, with piano soloist Iyuko Nakamichi, and by Shuntaro Sato in Bartok's Viola Concerto, with Zukerman as viola soloist; Apr 20
● Philharmonia Orchestra: conducted by Mikhail Pletnev in works by Berlioz and Tchaikovsky. With mezzo-soprano Jean Rigby; Apr 21
● *Orchestra of the Age of Enlightenment*: conducted by Sir Simon Rattle in works by Mozart, Berlioz and Beethoven. With mezzo-soprano Ann Murray; Apr 22

MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
www.lascala.milano.it
Linda di Chamounix: by Donizetti. Co-production with Vienna Staatsoper conducted by Roberto Abbado in a staging by August Everding; Apr 17, 18

THEATRE
Aldwych Theatre
Tel: 44-171-416 6003
Amy's View: by David Hare. West End transfer of the National Theatre's production, directed by Richard Eyre, with Judi Dench and Samantha Bond

Almeida Theatre
Tel: 44-171-359 4404
The Iceman Cometh: by Eugene O'Neill. Howard Davies' production stars Kevin Spacey, Rupert Graves and Clarke Peters

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Munich Philharmonic Orchestra: conducted by Günter Wand in works by Schubert and Bruckner; Apr 19, 20, 21
● Vienna Philharmonic Orchestra: conducted by Vladimir Fedossejew in works by Schubert, Haydn and Tchaikovsky; Apr 22
● Klassische Philharmonie Bonn: conducted by Heribert Beissel in works by Rossini, Chopin and Beethoven; Apr 23

OPERA
Carl-Orff-Saal, Gasteig
Tel: 49-89-4809 8508
Vision of Lear: by Toshio Hosokawa, with a libretto by Suzuki and Hosokawa. Co-production of the Munich Biennale with the Shizuoka Performing Arts Centre; Apr 19, 20, 22

NEW YORK

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
● Augustin Pajou, Royal Sculptor: first retrospective devoted to works by the French sculptor (1730-1809); to May 24
● Pierre-Paul Prud'hon (1758-1823): first American retrospective of work by the French court painter and draftsman; to Jun 7
● When Silk Was Gold: Central Asian and Chinese Textiles. Featuring 64 precious textiles from the 8th to 15th centuries; to May 17

OPERA
New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
Paul Bunyan: by Britten. New production directed by Mark Lamos and conducted by Stewart Robertson; Apr 18, 22

PARIS

CONCERT
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Frans Brüggen in works by Haydn and Mozart. With cellist Truls Mork; Apr 22, 23

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
● San Francisco Symphony Orchestra: conducted by Alasdair Neale in works by Haydn, Marti Epstein, Elgar and Schumann, with piano soloist Hélène Grimaud; Apr 17, 18
● Alfred Brendel: recital by the pianist of works by Mozart, Schubert and Haydn; Apr 19
● Isaac Stern: recital by the violinist, with pianist Robert McDonald; Apr 21
● San Francisco Symphony Orchestra: conducted by Hugo Wolff in works by Debussy, Mozart and Schumann. With piano soloist Alicia de Larrocha; Apr 22, 23

STOCKHOLM

EXHIBITION
Moderna Museet
Tel: 46-8-5195 5200
www.modernamuseet.se
Wounds: Between Democracy and Redemption in Contemporary Art. The inaugural exhibition in the museum's new building examines developments in the visual arts from the 1960s to the present. *Includes works by Francis Bacon,* Andy Warhol, Gerhard Richter and Per Kirkeby; ends on Sunday

TOKYO

CONCERT
Bunkamura
Tel: 81-3-3477 9999
Tokyo Philharmonic Orchestra: conducted by Hiroyuki Iwaki in works by Ichiyanagi, Szymanowski and Tchaikovsky. With violin soloist Natsuko Yoshimoto; Orchard Hall; Apr 17

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

EDWARD MORTIMER

Icons of evil

Hitler set the 20th century standard for barbarity and Pol Pot followed him. Is class war any less heinous than race war?

Probably all cultures need a figure who symbolically represents absolute evil. For late 20th century world culture, Pol Pot has been that figure.

Hitler, of course, set the standard. On the crudest quantitative measure, the sheer number of deaths for which he could be held directly responsible, Pol Pot clearly fell far short of the Hitlerian standard, even if one accepts the high figure of 2m people killed during his 3¾-year rule in Cambodia (April 1975 to January 1979).

But Cambodia is a small country, and 2m probably represents at least a quarter of its population at that time. Even the more cautious estimates hold that one Cambodian out of every seven perished. Hitler himself is not thought to have massacred such a high proportion of the inhabitants in any of the states that he conquered.

On the other hand, Hitler's *aim* was to exterminate entire peoples whom he classified as sub-human, and whom he defined in pseudo-scientific racial terms. Millions of human beings were condemned purely on the basis of their supposedly inherited genetic characteristics. It was this that came to be seen as the uniquely evil aspect of his system, and which gave rise to the coinage of the word "genocide", meaning in Latin the killing of a race or people.

That is probably still most people's understanding of the term. But on that basis Pol Pot was not guilty of genocide. He belonged to the same ethnic group as his victims. Whatever his motives were, it seems fairly clear he was not aiming at the extermination of the entire Khmer or Cambodian people. Why then is the "genocide museum" in Phnom Penh so called?

Partly no doubt because "genocide" is the most damning word in the modern world vocabulary. But there is also a legal justification.

Genocide is the subject of an international convention, which defines it very widely, including five different categories of action (killing being only one of them) "committed with intent to destroy, in whole or in part, a national, ethnical, racial or religious group, as such".

The charge of genocide against Pol Pot, had he been brought to trial, might well have stood or fallen on the words "as such". His defence lawyers would no doubt have argued that the victims were not selected on national, ethnical, racial or even religious grounds.

For Pol Pot was a class warrior, not a racial one. People were killed because, unless they were working in the fields, they were deemed to be parasites and exploiters. The theory, developed by his colleague Khieu Samphan when they were both students in Paris in the 1950s, was that colonialism had superimposed on Cambodia's fragile agrarian structure an urban superstructure far greater than it could support. Therefore, once it captured Phnom Penh in 1975, the Khmer Rouge set about driving the urban population into the countryside.

Pol Pot: no apology

Those killed included anyone with glasses (deemed to be an "intellectual"), anyone who flagged in their back-breaking agricultural work, anyone who resisted or questioned these barbaric orders and the regime that imposed them, anyone suspected of disloyalty, and their families. Many perished of starvation, exhaustion or disease. But the victims were not selected on racial grounds.

This raises an interesting question: is class war less evil than race war? For most people in the west, from 1941 until the present day, the answer has been yes. Dreadful crimes might have been committed in the name of socialism, but they were not seen as generically connected with it.

The *aim* of socialism was a fairer society for the entire human race. Perversions or "mistakes", however appalling, could not alter the nobility of that aim. They merely showed that one should be more careful about the means used to pursue it. By contrast, Nazism and other racial theories were *inherently* evil. The destruction or oppression of vast groups of people was, in their case, not an unintended and "unfortunate" consequence but central to the project itself.

Since the end of the cold war, however, that consensus has begun to be questioned. In a recent article*, the US historian Martin Malia describes the debate now raging in France, after the publication of a "black book of communism", which seeks to itemise the crimes committed in the name of that philosophy since 1917.

It is clear that, if we come back to the raw numbers, Hitler is not, after all, the leading mass-murderer of our century. The grand total of communism's victims, according to the book's editors, is estimated at between 85m and 100m. Nazism, as Prof Malia puts it, "at an estimated 25m turns out to be distinctly less murderous".

Right at the start, in 1918, the Bolsheviks carried out more than twice as many political executions in two months as the tsars had managed in the whole of the previous century. Stalin and Mao were later to surpass this achievement by many orders of magnitude.

Such facts have long been known to those who wanted to know them. But many of us were still reluctant to equate the horrors of communism with those of Nazism. To be anti-Nazi was safe, respectable; to be anti-communist was to be a cold warrior, implicitly an apologist for capitalism and social injustice.

Pol Pot became a convenient icon of evil because he fell out with other communists. Vietnamese communists, backed by the Soviet Union, intervened to drive him from power. Admittedly China went on supporting him, but China by then had become an ally of the US. In western leftwing salons it was quite okay to be anti-Pol Pot.

Now, it seems, fashions are changing. Socialism is out. Nationalism is back. Perhaps sensing this, Pol Pot, at the end of his life, tried to reinvent himself as a nationalist. In an interview last year (his first and last after losing power) he made no apology for his crimes, but claimed they had all been committed to save Cambodia from falling into the hands of the Vietnamese.

Too bad that they had precisely the opposite effect.

*"*The lesser evil?*" (*Times Literary Supplement, March 27*).

Edward.Mortimer@FT.com

LETTERS TO THE EDITOR

Mega-mergers to create one-stop shops could alienate customers

From Mr Kenneth P. Armitage.

Sir, Gary Hamel's Personal View ("Wrong merger, wrong logic", April 15) ought to be required reading for all senior executives who are currently rubbing their hands at the thought of greater salaries, and even greater share options, through mega-mergers to create massive "one-stop" shops in any area of business.

The idea that customers would wish to purchase all their requirements in one place, be it financial, food or clothing, only works when the goods on offer are of the highest quality and are the most competitively priced or the advice given is truly impartial.

For example, the plastic cards I use are different from my main bank, I have insurance cover with different companies for life, house, motor car and travel, and different building societies and financial institutions for mortgage, Tessa and Pep, all based on the best deal and the best advice that was available to me at the time.

Frankly, it would be completely unacceptable for any financial institution, retail organisation, electrical store or supermarket chain to attempt to restrict my choice in any area and that rule applies, probably, to most consumers.

Kenneth Armitage,
6 Deben Valley Drive,
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A scoreboard for the peace process

From Dr Manfredi La Manna.

Sir, the peace agreement in Northern Ireland can achieve its laudable objective only if supplemented with fresh thinking aimed at discouraging sectarianism and fostering reconciliation. The marching season may derail the whole peace process. Here is a practical solution:

- each side provides the other with a list of 1,000 proposed marches (and other potentially inflammatory events):
- each side is given a "budget" of 100,000 score points to be used to rank the other side's marches in order of potential provocation;
- all marches/events are banned unless the two sides agree to allow each other to hold marches/events of the same score.

The scheme is fair (both sides being treated equally), self-monitoring, and guaranteed to reduce tension and to minimise the risk of confrontation, as each side could not object to marches/events that it effectively sanctioned to take place.

Manfredi La Manna,
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Healthy growth in prospect for cruise industry

From Mr P.J. Smith.

Sir, Lex's article on the cruise industry (April 11/12) mistakenly claims that in the period to 2002 the current order book for new berths amounts to a 16 per cent growth rate in the US and higher still in Europe.

Capacity in the US has grown by an average 9 per cent a year for the last 20 years and demand has been consistently rising to meet this. The US cruise fleet currently amounts to about 103,000 berths. Orders so far placed will increase this to 155,000 by 2002, a compound annual growth rate of less than 9 per cent.

Turning to Europe, Lex claims that growth in demand is in the low teens. The UK accounts for more than half of the European cruise market. Last year UK demand grew by 23 per cent and by an average 17 per cent for the previous five years, well ahead of the current order book.

As Lex says, the bulls see a case for growth rates beyond the levels seen so far. The fundamentals of the business and the results currently being reported by P&O and the other two leading cruise companies fully support this.

Lex is also wrong to claim that the age profile of those who cruise is dominated by the "purple rinse brigade". In the US, by far the biggest market for cruising, the average age continues to fall and is now in the 40s.

Lex states that the Asian downturn has knocked growth opportunities. This appears to mean that it is less likely that Asians will want to cruise. In fact less than 1 per cent of all cruise passengers come from Asian countries. There may come a time when Asians, and others, will cruise in greater numbers, but this would be purely upside.

P.J. Smith,
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High taxes spur black economy

From Mr Rolf Joachim Siegen.

Sir, As a holder of a European passport, I am not surprised by the half-hearted European measures to cope with the growth of "undeclared jobs" ("EU moves against black economy", April 8). I view efforts like these as the usual tinkering. Typical of the narrow-mindedness within the Brussels' bureaucracy, the social affairs commissioner takes the wrong approach. Raised in the school of interventionism, he is a "Eurocrat" unable to detect and understand the warning signs.

A black economy is a strong indicator of citizens' rebellion against the imposition of unreasonably high taxes. Hard working individuals will naturally try to evade tax when it rises beyond a plausible amount. This is the case in most European states. However, the "Eurocrats" ignore such a simple truth for a simple reason. The political reality of Europe is based on the image of an all-around, caretaking mega-institution. We find commissioners in Brussels and elsewhere in Europe whose hearts are filled by the ethos of control, command and direction. Each is keen to eliminate all signs of independent activity: for a majority of self-confident citizens could one day hold them accountable for unnecessary actions and fire them.

I came to the US to escape the European ideology of spoon feeding. Young people in Europe should be encouraged to revolt against the old continent by leaving. Less people – less taxpayers – less commissioners. Maybe that reality would help Europe to reshuffle.

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BOOK REVIEW RICHARD LAMBERT

Big player in a big business

Arnold Weinstock started the way he meant to go on. In March 1963, shortly after he had become managing director of the General Electric Company, he issued a general call to arms. "We have by now received preliminary budgets from all groups and subsidiaries," he wrote to his managers. "None have been acceptable and all have to be revised."

This was the first of a string of memos with which, until he retired 33 years later, he was to stamp his powerful intellect on what became one of the last great British-owned engineering businesses. While other big industrial groups stumbled and fell, GEC remained a powerful force in the land, with a rich balance sheet and a strong position in a number of industries.

Yet there is also a sense of missed opportunities in his remarkable career. Reinforced by a series of giant takeovers, there seemed by the end of the 1960s to be a good chance that GEC, under Lord Weinstock's dynamic leadership, could emerge as Europe's leading high-technology company. It had a world-class radar business and, on the strength of its expertise in instrumentation and process control, it claimed to be the largest automation company in the world.

It was not to be. For all its success in rationalising its heavy electrical business and building an important defence arm, GEC within 20 years had ceased to be a force in computers, and was only making the most specialised semiconductors. It had missed out more or less completely on the great revolution in cellular telecommunications. In few areas could it claim leadership in Europe, let alone the world.

Not many UK industrialists merit one biography: here are two new books on Lord Weinstock. Alex Brummer and Roger Cowe have produced a broad narrative of his life and times; Stephen Aris, a journalist who followed GEC from the early Lord Weinstock days, has produced a more concise and thought-provoking book. His thesis is that Lord Weinstock's failure came from the same roots as his success.

Lord Weinstock: failure said to have the same roots as his success

ARNOLD WEINSTOCK AND THE MAKING OF GEC
By Stephen Aris
Aurum Press
£19.95, 244 pages

WEINSTOCK
The Life and Times of Britain's Premier Industrialist
By Alex Brummer and Roger Cowe
HarperCollinsBusiness
£24.99, 343 pages

The big question from the earliest days was how to bring some kind of order into a large and loosely related group of companies. Lord Weinstock's solution, Aris argues, was to run it almost like an old-fashioned family business, whose owners lived over the shop.

Of course, GEC was far too big to be managed in a completely hands-on fashion. But Lord Weinstock did the next best thing: he gave the managers of his operating subsidiaries considerable autonomy to run their businesses as they wanted, but he made them personally accountable to him. Through tight financial controls, endless phone calls and a constant stream of memos, he made them aware that his eyes were focused on every detail of their activities.

This approach underwrote GEC's survival in a period of roaring inflation and wild swings in government industrial policy. It also helped to sustain the company through the industrial unrest of the 1970s, despite a continuing stream of redundancies. GEC suffered from strikes and work to rules, but the company as a whole was never shut down in the way that businesses like British Leyland or British Steel often were. Unlike them, its separate subsidiaries negotiated individually with their own unions, and were not contaminated by each other's problems.

But decentralisation also severely limited the scale of GEC's ambitions, and worked against the development of successful international businesses. Aris illustrates this argument with two revealing case studies: the Nimrod disaster, and the failure to build an information systems business.

The Nimrod aircraft was intended to fill the airborne early warning role for Britain's air defences and it was, as the Public Accounts Committee said in 1987, "a major example of how not to approach a development project". A good part of the responsibility lay with government, which was determined to provide a British solution and British jobs, and was left clutching at straws throughout the project.

But Aris argues that Nimrod was simply too big and complicated a contract to be handled by an autonomous manager and monitored through a series of financial ratios. It needed someone to look at the broader issues, and to understand that the numbers do not always tell the whole story.

There is a similar point to be made about information systems. Aris quotes Sir Robert Telford, one of Lord Weinstock's most distinguished executives. "The trouble was that it didn't fit into the GEC system. Arnold liked everything in self-contained divisions, whereas the IS thing overlapped different GEC companies. So the question arose: to whom did this thing belong? And in the end, it fell between stools."

Brummer and Cowe make interesting comparisons between Lord Weinstock and Jack Welch, who runs America's General Electric.

Both men built a reputation as ferocious cost cutters, and as enemies of bureaucracy at every level. Both have placed heavy emphasis on production efficiency and the more effective use of capital. But Mr Welch is also very interested in ideas that would probably make Lord Weinstock squirm. He is almost Japanese-like in his efforts to involve as many people as possible in decision making and he says he wants to encourage GE employees at all levels to act boldly outside traditional lines of authority and functional boxes. He talks endlessly about the need for GE people to operate in what he calls a "boundaryless" environment.

Managers who want to protect their own particular patches, or who are unwilling to look at the big picture, get fired.

What is the overall conclusion? Such a complex personality and an extraordinary career cannot be captured in a single paragraph. Perhaps the most you can say is that Lord Weinstock played a crucial role in sustaining an important sector of Britain's manufacturing industry, and he left a company that is strong enough today to contemplate bold moves on the international stage. But GEC is not the force it might have been.

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FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
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Friday April 17 1998

Red-faced in Santiago

President Clinton's instinctive desire to make friends sometimes leads him into embarrassing situations. This weekend's Summit of the Americas, in Santiago, Chile, is one of them. There are worse things than embarrassment, however – as the US, its neighbours and the EU should remember.

Mr Clinton's desire for warmer relations within the Americas is praiseworthy, and reciprocated. To mark the first regional summit, in 1994, he hit on the idea of a grand regional trade pact, the Free Trade Area of the Americas. Alas, he now finds himself returning to the summit-table empty-handed. The collapse of his attempt last year to win congressional approval for a renewal of fast-track negotiations has left the FTAA in limbo.

The fast-track failure is a symptom of creeping paralysis in US trade policy. The administration does not seem able to make the case for free trade convincingly enough to persuade congress. That is a worry for the world, especially as the US trade deficit mounts. But the fact that the FTAA is going nowhere is not in itself a problem.

The best route to trade liberalisation, as has been proved again and again in the past half century, lies through the global negotiating process that produced the General Agreement on Tariffs and Trade and the World Trade Organisation. If the fast-track flop were to indicate a weakening of the US commitment to this approach, that would be a cause for concern. But – despite occasional alarms – there is no real evidence of this. The global route remains at the heart of US policy, and the surest route to continued progress on free trade.

In this process, regional trade pacts are at best a distraction and at worst a positive hindrance. From a trade point of view, it is hard to weep many tears at the FTAA's fate.

From a political point of view, a few sniffles are perhaps justified. The pact was proposed as an uncontroversial symbol of the new regional amity. Without it, the US will have to try harder to keep this spirit alive.

The task will be easier if the European Union manages to restrain itself from exploiting Mr Clinton's embarrassment. Some European officials are keen to offer Latin America an alternative trade partnership. This initiative seems to stem more from a political desire to rival the US as a superpower than from any serious trade ambitions. In practical terms, it clashes with the EU's proposal for a fresh global trade round for the millennium.

As the EU grows in international stature – through monetary union and enlargement – it must avoid the knee-jerk tendency to seek to outface the US. Mr Clinton is perfectly capable of generating his own embarrassments; he does not need outsiders to make them worse.

In the dock

The long expected clash on Australia's waterfront has come. The dockers union is mounting pickets, blockades and legal challenges to the attempt by a leading stevedoring company to break the union's monopoly-hold over cargo coming in and out of the country's ports.

Successive Australian governments have acknowledged the need for dock labour reform, but consistently funked the task. But times have changed. John Howard, the conservative prime minister, is in search of a vote-winning issue for the early election that the separate controversy over aboriginal land rights may precipitate this summer. Evidently believing that taking on the dockers will prove a vote-winner, he and his government have sided, rhetorically at least, with the stevedoring company.

Beating the "wharfies" may not be easy. Around the world dockers have proved a hard industry to reform, but all the more so in Australia where they have had the sort of working-class mystique that in Britain once surrounded the miners. More effectively than others, the dockers in the Maritime Union of Australia (MUA) have managed to run a closed shop that has allowed them to combine high wages and low productivity by international standards. Indeed productivity appears to have fallen in recent years. The MUA accounts for 25 per cent of all world-wide dock disputes, far in excess of Australia's 2 per cent share of world trade.

To escape the dockers' stranglehold over their exports – 60 per cent of the country's total – Australia's farmers struck a deal with Patrick Stevedores, which has led it to sack 1,400 of its MUA members and to open up non-union operations.

Patrick caught the MUA by surprise. Australia is less heavily unionised than it used to be and many less feather-bedded unions will shed no tears for the MUA, whose members have been offered generous redundancy terms. But the union is fighting back with pickets, apparently with tacit support from truckers. Much will depend on how vigorously the police act to keep roads to ports open. With the smell of an election in the air, the police are getting mixed signals from the politicians; the Labor prime minister of New South Wales was on the picket line yesterday.

It is important to Australia that the dispute is resolved before other manufacturers have to follow Toyota in announcing factory closures and before any dockers unions abroad start blacking cargoes handled by Patrick. But it is even more important that the dispute be settled on terms that remove the MUA's closed shop and leave Australia more competitive.

Chernobyl threat

Twelve years after the nuclear disaster at Chernobyl in the Ukraine, the west has still not managed to persuade the authorities to close the power generation site for good.

The latest report is that the European Bank for Reconstruction and Development might, after all, help to complete two newer reactors to replace those at Chernobyl. But that has not resolved the impasse.

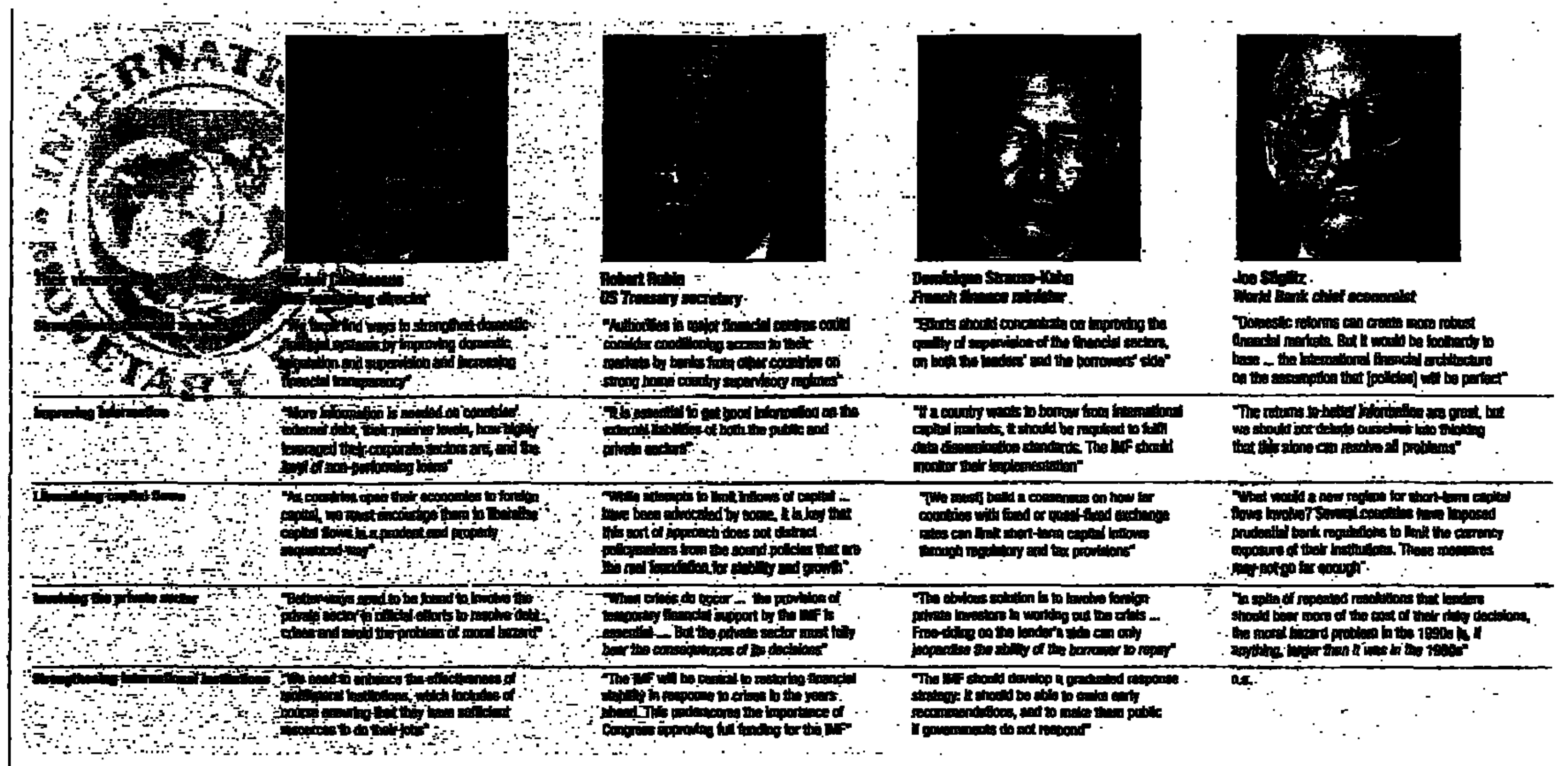
Of the four reactors on the site, one is a pile of radioactive rubble, buried under concrete. Two are closed, probably beyond repair. But the fourth could be re-started within a month or so, despite western doubts of its safety.

The Ukrainian authorities are using this possibility as their last card in a dangerous game of poker. The west will pay most of the $750m cost of making the ruined reactor finally safe in its tomb – that is not at issue. But Ukraine wants a further $1.6bn, much of it to finish two partially completed reactors at different sites. This would be its price for closing Chernobyl altogether.

Superficially this might seem sensible. The Khmelnitsky 2 and Rovno 4 reactors are said to be 85 per cent complete. When finished, they would reduce Ukraine's bill for coal or imported gas. But, as two independent reports for the EBRD pointed out last year, the country has more urgent needs than adding to its nuclear stations, which continue to have an appalling safety record. The country already has more generating capacity than it needs; but this is badly organised, badly maintained and commercially inept. It collects on only about 7 per cent of its bills in cash, so investment is starved. Servicing nuclear loans in such a system would be a nightmare.

Moreover, since most customers do not pay for power, they are profligate with its use. Even moderately sensible pricing and conservation measures could have a big effect in cutting demand to more normal levels. This and the upgrading of existing plant would be much the most sensible strategy.

However, the EBRD, after prompting from the US, is now considering another report which favours the nuclear option. The precise reasons will not be known until it is published. In any case, in an economic system as rickety as Ukraine's western-style cost benefit analysis is highly imprecise. Its energy system needs urgent first aid, backed by economic reform. Last summer, the World Bank took a stern line with the country for failing to reform. In this case, the Chernobyl threat makes the west's decision more difficult. Even so, two more nuclear plants would be a bribe too far.



Two issues faced the IMF/World Bank meeting this week: how to lessen the chance of financial crisis before the event; and how to react once one happens. **FT writers report**

Crystal balls in Washington

America's capital this week has echoed to the sound of stable doors slamming after the horse has bolted. The much-hyped "new international architecture" is the fashion of the moment at the International Monetary Fund and the World Bank. Its aim is to improve their ability to prevent financial panic. But ensuring they would have spotted the last crisis does not mean they will spot the next.

The Asian crisis exposed gaps in the IMF's surveillance of countries' economic policies. These have been the subject of an acrimonious internal post-mortem, the conclusions of which were discussed yesterday by finance ministers on the IMF's interim committee. Two questions dominated debate: how can the IMF predict potential crises more effectively? And, once a crisis is looming, how can it persuade a country to take preventive action?

In the case of Thailand, the post-mortem concluded "the Fund was clearly aware of the risks associated with the policies being pursued at an early stage, and before a consensus emerged among private market participants". It was helped by the fact that Thailand displayed symptoms typical of a country vulnerable to speculative attack: signs of overheating, an overvalued exchange rate and an unsustainable current account deficit.

The problem was not predicting the crisis, but persuading authorities to act before it was too late. The Fund was urging Thailand to abandon its dollar peg as early as 1994 when it would have been relatively pain free. When the government was forced to float the baht three years later, it was anything but painless.

The IMF could apply pressure by public whistle-blowing. But this would risk triggering the crisis the Fund was seeking to prevent. In some countries – Turkey, Romania and Pakistan – the IMF has privately predicted crises that have so far failed to materialise. Some ministers want to keep the option of public warnings. A less dangerous route would be for the Fund to exploit peer pressure, warning countries they would be hurt if a neighbour's imprudent policies led to a full-blown crisis. Advocates of peer pressure argue that Italy took steps to qualify for Europe's single currency only because of pressure from other EU members.

The IMF knew by last spring that a crisis in Thailand was virtually unavoidable, but the timing was difficult to predict partly because Thailand used transactions in the forward currency market to disguise the state of its foreign exchange reserves. In spite of initial reluctance on the part of France, public information on the true state of foreign exchange reserves is now likely to be required under a "special data dissemination standard" introduced by the IMF. Just as desirable, but less easy to amass, is information on countries' holdings of short-term foreign currency denominated debt.

Promoting transparency and the release of economic information – both to the Fund and the public – are the basics of crisis prevention. Ministers yesterday discussed ways to promote transparency more aggressively. One idea is for the IMF to refuse to complete its annual health-check of a country's economy when it is not satisfied with the information being provided. Fund staff are also considering ways to shame more countries into publicising the conclusions of such health-checks, something many emerging market nations are reluctant to do.

In South Korea, the problem of crisis prediction was more fundamental. The macroeconomic position was better than in Thailand. Rating agencies and other analysts were unnerved by corporate bankruptcies and banking fragility early last year but, according to the IMF post-mortem, "the Fund does not seem to have shared the extent of these concerns until the second half of 1997".

With hindsight, IMF staff recognise that "effective surveillance will require closer examination of the functioning of the financial sector, at a much more detailed level than previously required". The Fund is building up its financial sector surveillance capacity, as has the World Bank. The UK and Canada have proposed that the two institutions pool their expertise.

More information, a greater focus on financial-sector problems and more candour from the international institutions might have helped avoid Asia's crisis. But amid the reforming zeal in Washington this week, James Wolfensohn, the World Bank president, sounded a note of caution: "I think there is a general recognition this time that we could have done better," he said. "There will be a new architecture, there will be greater transparency, but my guess is that in five or seven years there will be another crisis based on some other factor that we don't now anticipate."

Robert Chote

Tea leaves in Jakarta

The Indonesian episode has been among the most gruelling and demoralising in the International Monetary Fund's 53-year history. The Fund's managers, especially Michel Camdessus, its managing director, are used to seeing their carefully crafted plans fall apart at the first encounter with financial markets or economic realities. But the failures in Indonesia have been unusually large – two programmes have collapsed since October, and an unprecedented third began in early April – and especially untimely.

They have unfolded as much of Asia struggled to recover from its deepest economic crisis in the postwar period. Worse still, they arose just when the US Congress was deliberating over whether to approve a large increase in the US contribution to the Fund's coffers. With a vote expected later this month, it is still uncertain whether Congress will approve the proposal without tough conditions.

Some Congressional criticism of the Fund's actions has been crass. But in the Indonesian case, there are legitimate questions about its performance. These are not confined to isolationist naysayers and IMF-bashers. They include the Fund's staunchest supporters, including some in the US administration.

IMF officials' account of the Indonesian debacle is simple: it was the fault of the Indonesians all along. The initial problems had their root in a weak and under-regulated banking system, crony-capitalism, and a deteriorating fiscal condition. What is more, the failure of the programmes was also the responsibility of the Indonesians.

The first package fell apart in January after the announcement of an unrealistic budget that seemed to ignore many of the prescriptions laid down in the initial agreement. The second collapsed when President Suharto undermined its credibility by sacking the central bank governor, looking seriously into the possibility of establishing a currency board to shore up the battered rupiah, and appointing more cronies to his cabinet.

Most would agree that the quixotic behaviour of President Suharto and some of his colleagues added to the crisis. But in Washington and Jakarta many observers say there were also three serious flaws in the Fund's approach.

First, and most important, the initial decision to require Indonesia to close a large number of banks was not only questionable in its own right, it also led to many of the problems that followed. "That decision," says Jeffrey Sachs, director of the Harvard Institute for International Development, and a fierce critic of the IMF, "led to a cascading set of errors, ill-will and confusion over the next few weeks and months."

The move provoked panic among bank depositors. That created a sudden liquidity squeeze which forced the central bank to pump out money. That in turn led to a monetary explosion which exacerbated the problem of the falling rupiah. The Fund, in internal documents (though not in public), has acknowledged that the bank closure decision was a risky one.

Second, even some of the harshest critics of President Suharto say the IMF attached too much emphasis in its early programmes to rooting out crony capitalism. "Sure the governance issue was an important one ... but was it really right to make it the forefront of the policy prescriptions?" asks one US observer who was in Jakarta during the negotiations.

Third, the Fund did not give enough attention to the massive overhang of corporate debt. Unlike other countries the IMF has dealt with, the heart of the Indonesian problem was this private sector borrowing. With the collapse of the currency, many Indonesian companies were in effect insolvent, weighed down by heavy foreign debts.

The view of senior Fund officials was that the packages would revive the rupiah and that the rising currency would eliminate the debt problem. But when the currency failed to respond to the first two packages, the corporate sector debt problem mounted.

In the recent third agreement the private sector debt issue is addressed more directly. "If they had addressed that issue earlier on," says Robert Hormats, a former US State Department senior official now with Goldman Sachs, "it would have been a lot more encouraging."

Whether or not the new package will prove sufficient will become clear in the next few weeks. But its implicit acknowledgement that the earlier efforts failed, not just because of a lack of will on the part of the Indonesians, but because of omissions and errors in the IMF plans themselves, is a timely reminder of the Fund's fallibility.

Gerard Baker

OBSERVER

Bakht to basics

The first public utterance from Sikander Bakht, sworn in as India's industry minister last month, finally came yesterday. The world was waiting to hear whether the new BJP-led government would be hostile to foreign investment: it's still waiting.

The octogenarian Bakht spoke at a forum on consumer goods after a lecture by eminent economist Rakesh Mohan about India's pent-up demand and its dismal output performance. The minister's response? "I must confess that I felt really confused," he told assembled executives, adding that he "can be accused of not being able to absorb" Mohan's remarks.

Bakht did bring a prepared speech, but his extempore comments didn't seem to gel with the ministry bureaucrats' prose. Or maybe the speechwriters were confused as well.

By the time the minister finished, confusion was general. For example, he defended the BJPs long-standing slogan of *swadeshi* – self-reliance – saying: "I am in a hurry to utilise my Indian market for the Indians." But a few minutes later he insisted that "whatever contributes to growth, revenue and employment will be wholeheartedly welcomed by the government".

He was adamant that "figures don't mean much to me", then reeled off statistics about declining GDP growth before telling industrialists he hoped to have more meetings with them because "I have a lot to learn from you". Maybe next time the industrialists will learn something in return.

Tose company

It hasn't taken long for Philip Tose to find a new perch after Peregrine, his high-flying Hong Kong investment bank, fell to earth. Mark Mobius, the dome-headed investment guru who runs Templeton's giant emerging markets fund, has swooped to hire the 52-year-old former racing driver turned stockbroker as a consultant.

Tose will have a brief to develop direct equity transactions, which is likely to prove a big growth area as ravaged regional companies seek funds and international investors sift through the wreckage.

The two have collaborated before – Mobius funds held a stake in Peregrine, but bailed out before the crunch came early this year. This time around, Tose's impressive contacts list will prove a valuable asset, says Mobius. So, too, will his recent first-hand experience of corporate collapse.

"He has been through a lot. We learn from good experiences and bad experiences," says Mobius. Tose has had more of the latter lately.

Judicial review

The latest obstacle to Brazil's privatisation programme suggests there may be truth in the old saying that the country combines the Portuguese obsession for bureaucracy with the Italian flair for political intrigue.

On Tuesday night, Amador da Cunha Bueno, vice-president of the state Tribunal of Justice, accepted a legal complaint by the trade union at São Paulo electricity company Metropolitana and issued an injunction stopping its sale.

On Wednesday, court president Dirceu de Mello sent his own man along to the stock exchange to say that the auction could proceed: he ruled that the injunction had not been properly registered. Amador promptly annulled the auction, and the two eminent jurists called simultaneous press conferences to justify their positions.

The legal fine points are to be settled by the Supreme Tribunal of Justice in Brasília. But government officials say Amador has links with Paulo Maluf, the leading challenger to governor Mario Covas in October's state elections.

A successful privatisation would enhance Covas's reputation and bring much-needed cash into the state coffers before the poll.

Ageless

Few mass-murderers manage to keep their age a secret, but there was always some mystery over exactly when Pol Pot was born. After yesterday's announcement of his death, commentators worried over whether he was 73 or 71.

Thais think they know the answer. The country's fortnightly lottery draw was yesterday, and the winning number was – 73.

Well connected

Egypt's transformation from command economy to shareholder power has netted its most illustrious adherent with the revelation that Fifi Abdou, the country's most famous belly dancer, has taken a significant stake in an oil company.

The shimmering stage and screen tummy-shaker is said to be one of Egypt's wealthiest citizens, and her powerful political connections are fond of portraying her rags-to-riches story as an example to one and all.

The name of the oil company has been kept secret, possibly for fear of a backlash from Islamist puritans who regard belly dancing with as much affection as alcoholic beverages.

There are now rumours of a rush of applications for oil rig work, perhaps in the hope of seeing the glamorous investor if she ever decides to visit her new toys.

Surreal money

Belgium issued a new 500-franc banknote – about $13 – yesterday featuring the picture of the nation's most famous painter, Réné Magritte. So whose idea was it to put a surrealist on the last new banknote to be issued in Belgium before the dawn of the European single currency?

The Financial Times

50 years ago

Marshall Aid Launched
Paris, April 16. The European side of the Marshall Aid programme was launched officially in Paris to-day, when Foreign Ministers of the 16 participating nations and the Allied Commanders of the Western zones of Germany signed the Charter of the Permanent Organisation for European Recovery at the French Foreign Office. One of the two main tasks of the Permanent Organisation will be to examine and revise the import programmes of the signatories within the European Recovery Act and to transmit them to the American Administrator and also to supervise the allocation of American aid.

Gold Boom At Paris
Paris, April 16. On the black market for banknotes the boom, which has already lasted for several days, to-day made further headway and extended to the free gold market. The dollar note rose to Frs390 from Frs379, a new all-time high, compared with Frs305 on the free market, and the official fixed rate of Frs214. The pound note soared to Frs910 from Frs890 – a premium of almost 6 per cent over the official rate of Frs864. Its gain since the end of February is Frs150, or around 20 per cent.

FINANCIAL TIMES

FRIDAY APRIL 17 1998

THE LEX COLUMN

Expensive credit

Are shareholders right to be excited by Credito Italiano's merger with Unicredito? The potential is clear enough: a strong foothold in the wealthy north and synergies between savings and asset management organisations. Less compelling, though, is the price of around 2¼ times Unicredito's book value. Most of the recent deals in Italy have been in the 1.7 - 2.2 range. Moreover, Unicredito's return on equity is a miserly 5 per cent.

Partly the price reflects the huge rally in Italian bank prices. Credito's price, for example, is up around 70 per cent this year already. But for deals to be value creating at these prices, Italian banks will have to work much harder in slashing costs. To be fair, Credito's management has shown itself among the more dynamic in Italy. The Rolo acquisition was also a conspicuous success. With the competitive environment set to intensify with the advent of Europe's single currency next year, nothing less than a repeat will do. In this context, the fact that the merged bank will have the largest network in the country is not encouraging.

Even if Credito can make this deal work, a price of around four times book value puts it well above the European average, which is closer to three. So long as Italian stocks are buoyed by a wall of mutual fund money, investors are unlikely to pay much heed to cavils about valuation. Even so, buying at current prices is a big risk.

GKN/Finmeccanica

Another week, another Anglo-Italian defence deal. Finmeccanica is certainly busy. Allying its Agusta unit with GKN Westland to forge a top-tier helicopter company would mirror its missiles alliance with General Electric Company. Slowly, but surely, cross-border rationalisation of a crowded defence industry is proceeding.

But caution is still necessary. Since Finmeccanica is a largely state-owned conglomerate, neither UK company should have high hopes of extracting all available cost savings: that is why Finmeccanica has failed to find a partner for its power business, Ansaldo. True, there will be easy savings for GKN-Agusta through squeezing suppliers and economies of scale in design and marketing. But closing some of Agusta's seven manufacturing sites – which would be politically difficult – may well be necessary. After all, Westland, with more than twice Agusta's sales and nearly three times its order book, manages with one. Although Westland's military orders have longer lead times than Agusta's civil ones, the UK company's relative leanness does not seem in question.

If GKN can negotiate terms to reflect its profitability and the political risk it is assuming, a good deal is in the making. A broader product mix will help smooth out the lumpiness of defence orders. And in Agusta's connections with the rival Franco-German Eurocopter alliance may lie the seeds of further fruitful combinations.

Cendant

Cendant has long wanted to become a "virtual" company, though seeing its shares going up in smoke can hardly be what it had in mind. Their 45 per cent collapse yesterday looks harsh when the accounting irregularities that are to blame will – apparently – knock only around 10 per cent off the marketing group's earnings and less off cash flow. But Cendant's rapid rise was built on shaky foundations: a recent merger based on unproven cross-selling gains and a rapid series of largely stock-financed acquisitions. With few physical assets to its name – the "virtual" idea – investors had little to fall back on except their confidence in the management, which has been comprehensively shattered.

Henry Silverman, chief executive, argues that the cross-marketing concept remains valid and that Cendant will still hit its target of 20 per cent annual earnings growth – merely from a lower base. Mr Silverman's personal record is good and, with luck, the accounting shortfall will be no worse than the first estimate of $115m. But it would be rash to bet on that.

Meanwhile, Cendant faces further upheaval as Mr Silverman and colleagues from his former company, HFS, take control of merger partner CUC, the source of the profit overstatement. Investors will rightly demand to see heads rolling. But if Mr Silverman is too aggressive, it could become impossible for the two companies to work together, whether or not the idea behind their merger has merit.

US bonds

Last week's launch of 30-year Treasury inflation-protected securities (or Tips) could prove a turning point for the US index-linked bond market. Such a long-dated issue ought to attract a broader range of institutions. Added to the existing 5- and 10-year maturities, it helps provide a complete real yield curve.

Comparing real and nominal yields offers clues to investors' thinking about inflation. The spread between 30-year Tips, yielding 3.75 per cent, and the long bond, at 5.90 per cent, is just 215 basis points. At 10 years it is down to 183 basis points. Even adjusting for the relative illiquidity of Tips, which may mean their yield is higher than it should be, the conclusion is startling: investors expect US inflation to be 2 per cent or less for the next 30 years.

Unsurprisingly, selling Tips during a time of falling inflation has been a bit like selling umbrellas in the desert. Investment bank HSBC notes that since 10-year Tips were first auctioned in January 1997, their yield has risen from 3.45 to 3.79 per cent. Meanwhile, the yield on 10-year Treasuries has fallen over 100 basis points. But that could be about to change. Inflation expectations are now so low it is hard to see them going lower. But real yields are likely to decline in response to improving public finances and the slowing pace of economic growth. Such a combination should see Tips outperforming conventional bonds.

Finance ministers urge IMF to be less secretive

By Robert Chote, Economics Editor, in Washington

The International Monetary Fund must become less secretive and more accountable to the public, finance ministers said yesterday at the economic watchdog's spring meeting.

"The IMF and other international financial institutions have a responsibility to make their activities open and transparent as a means of enhancing accountability," Robert Rubin, the US treasury secretary, told the Fund's interim committee.

"More could be done to dispel the notion of the IMF as a secretive institution," said Mr Rubin, who is under pressure to secure reform from the IMF to persuade Congress it should give the Fund more resources after the Asian turmoil.

He said more reports to the interim committee should be published, along with staff papers on big policy issues and summaries of IMF board meetings. Access to the IMF's archives should also be improved.

Gordon Brown, the UK chancellor, said greater openness and transparency by the Fund – which often preaches these virtues to its member countries – would improve public confidence in the IMF.

He said ministers should look again at establishing a full-time evaluation unit to report to the Fund's shareholders on its performance, which should be made public.

The Fund is making greater use of external evaluation already. The board recently considered a report into its subsidised lending programme for poor countries and another will examine its surveillance of member countries' policies. A unit might follow the model of the World Bank's highly regarded Operations Evaluation Department.

In discussing how to improve the Fund's scrutiny of national economic policies, the French and German finance ministers said it should be allowed to give public warnings if countries ignored its advice.

The IMF's management is not keen, fearing it could cause the crises it is supposed to prevent. Theo Waigel, the German finance minister, accepted this risk. He said that "even in such a case, the crisis would most likely be less severe than if the country concerned were to be forced by the markets to make abrupt adjustments".

Dominique Strauss-Kahn, his French counterpart, said the fund should adopt "a graduated response strategy: it should be able to make early recommendations, and to make them public if governments do not respond".

There was also support among ministers to encourage countries to provide more economic information to the Fund and the public. Mr Rubin said moves towards full compliance with the IMF's data standards could be a condition for IMF financial support.

Having urged Japan to boost its economy in the G7, Mr Rubin turned his attention to Europe: "As Europe moves towards monetary union, it is important that policies in this region be directed at fostering domestic demand led growth, reducing high levels of unemployment, and making Europe more flexible and dynamic."

IMF reports, Page 4
Crystal balls, Page 17
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Australian dockers' blockade halts work at Toyota car plant

By Mark Mulligan in Sydney

Australian dock workers claimed the first scalp of their week-long blockade of the country's ports yesterday when the Japanese carmaker Toyota announced a three-day shutdown of its Melbourne plant.

Toyota Australia said 45 containers of components were stranded on the city's East Swanson Dock, where members of the Maritime Union of Australia have been blocking the entry of trucks and trains.

About 2,000 MUA workers were sacked last week by Patrick Ltd, one of the two main stevedore companies in Australia, after a two-year battle over labour reforms. Union members and their supporters have been picketing ports since the dismissals and have been involved in violent clashes with police and non-union contractors. The dispute has been seized on by the government as an opportunity to press its case for further reforms to industrial relations.

John Howard, the Australian prime minister, said the dockers were entirely responsible for the Toyota shutdown. "It will be the fault of the MUA and it won't be the first time that the activities of that union have cost people their jobs and damaged business," he said. John Coombs, MUA federal secretary, said: "The problem that exists, exists because of the action of the federal government, not because of anything we've done."

One US shipping company warned that the waterfront dispute was jeopardising Australia's meat exports to the United States. Achim Dresdner, managing director of Columbus Line, said: "The meat trade to North America is a very significant trade. Buyers are very sensitive and if they do not get their product as arranged ... unfortunately, some switch to other sources."

Liners Shipping Services, which represents more than half the nation's shipping lines, said more than 30,000 tonnes of cargo was stranded on Australian waterfronts, with Sydney and Melbourne hardest hit. The Australian Peak Shippers Association said the bottleneck would force employers to lay off staff.

About 2,500 Toyota workers affected by the shutdown next week have been urged to take early annual leave rather than be laid off. "All efforts to have the containers taken off the docks have failed and we are fast running out of parts," Sam Komori, Toyota Australia's president, said.

Rothmans, the tobacco company, described its situation as "desperate" because a cargo of cigarette papers was stranded on a dock.

The government, meanwhile, has applied to move a Federal Court case on the mass sackings to the High Court, because it said it raised constitutional questions.

The MUA initiated court action claiming the dismissals by Patrick Ltd were unlawful. The company has countered by seeking injunctions in state courts to ban MUA picket lines.

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Ulster Unionist leader David Trimble predicted his party's ruling council would tomorrow back the Northern Ireland peace agreement. Page 7

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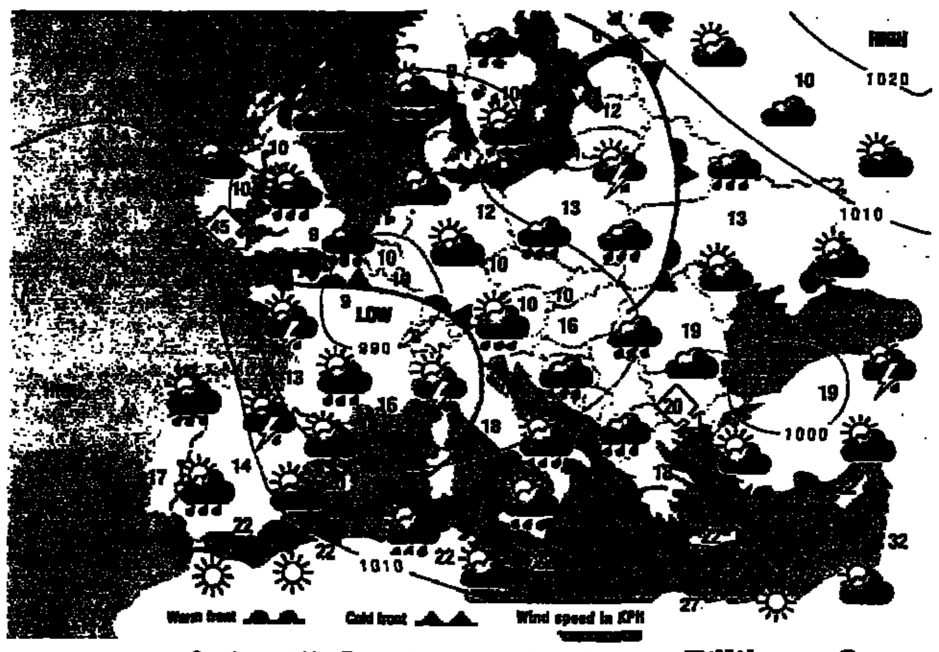
FT WEATHER GUIDE

Europe today

Central and western Europe will stay unsettled. France, western Germany, the Low Countries and northern Italy are likely to have heavy showers with some thunderstorms. Denmark and eastern Germany should remain mostly dry and bright with isolated showers. Much of eastern Europe will be wet. The Nordic countries will have sleet and mountain snow, which will gradually be replaced by rain or showers from the south. Northern Finland will stay fine. Greece and the eastern Mediterranean will stay fine and warm.

Five-day forecast

Low pressure will move eastwards from central to eastern Europe over the weekend, bringing rain to most parts. This will be followed by a rise in pressure over the Iberian peninsula and western Mediterranean, bringing dry, warm conditions. The eastern Mediterranean will become cooler and more unsettled.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	33
Accra	Cloudy	33
Algiers	Cloudy	22
Amsterdam	Rain	11
Athens	Fair	24
Atlanta	Rain	27
B. Aires	Thunder	24
B.ham	Shower	9
Bangkok	Fair	37
Barcelona	Fair	22
Beijing	Fair	22
Belfast	Shower	10
Belgrade	Shower	20
Berlin	Shower	12
Bermuda	Fair	24
Bogota	Thunder	20
Bombay	Sun	33
Brussels	Shower	10
Budapest	Shower	16
C.hagen	Fair	10
Cairo	Sun	32
Caracas	Cloudy	30
Cardiff	Shower	10
Casablanca	Shower	19
Chicago	Sunny	15
Cologne	Shower	13
Dakar	Sun	25
Dallas	Fair	19
Delhi	Sun	34
Dubai	Sun	32
Dublin	Shower	10
Dubrovnik	Rain	16
Edinburgh	Shower	9
Faro	Fair	20
Frankfurt	Shower	13
Geneva	Rain	8
Gibraltar	Shower	22
Glasgow	Shower	10
Hamburg	Fair	12
Helsinki	Rain	6
Hong Kong	Fair	26
Honolulu	Fair	28
Istanbul	Fair	19
Jakarta	Thunder	32
Jersey	Shower	9
Johannesburg	Fair	22
Karachi	Sun	34
Kuwait	Sun	39
L. Angeles	Sun	20
Las Palmas	Fair	23
Lima	Fair	29
Lisbon	Shower	17
London	Rain	9
Lux.bourg	Rain	9
Lyon	Rain	12
Madeira	Fair	21
Madrid	Shower	14
Majorca	Fair	20
Malta	Sun	22
Manchester	Rain	10
Manila	Cloudy	36
Melbourne	Shower	20
Mexico City	Sun	31
Miami	Fair	32
Milan	Thunder	16
Montreal	Rain	11
Moscow	Cloudy	10
Munich	Shower	10
Nairobi	Fair	27
Naples	Shower	18
Nassau	Fair	29
New York	Fair	23
Nice	Shower	16
Nicosia	Fair	28
Oslo	Shower	9
Paris	Rain	9
Perth	Shower	21
Prague	Shower	10
Rangoon	Fair	38
Reykjavik	Drzzl	7
Rio	Fair	30
Rome	Rain	18
S. Frsco	Sun	18
Seoul	Shower	18
Singapore	Cloudy	33
Stockholm	Shower	10
Strasbourg	Shower	13
Sydney	Shower	20
Tangier	Shower	20
Tel Aviv	Fair	32
Tokyo	Shower	22
Toronto	Fair	14
Vancouver	Rain	15
Venice	Rain	13
Vienna	Rain	12
Warsaw	Rain	13
Washington	Thunder	28
Wellington	Fair	17
Winnipeg	Fair	9
Zurich	Rain	10

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FINANCIAL TIMES

COMPANIES & MARKETS

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INSIDE

Tech Data strengthens position
Tech Data's acquisition of Computer 2000, the German computer business, has brought the unglamorous world of computer reselling into the limelight. The deal, in which the US group takes an 80 per cent stake valued at $395m in Computer 2000, creates a group that will supply around 150,000 computer resellers in 45 countries, with sales of almost $12bn. Page 21

Financial shake-ups in S Africa
The financial services industry in South Africa has begun a series of mergers, bids and international acquisitions. Boardrooms are awash with talk of synergy, rationalisation and shareholder value and industry executives foresee more deals before the upheavals end. Page 22

Australian wheat body sees changes
The Australian Wheat Board is undergoing drastic changes that will see it cease being a statutory body in July next year and convert to a commercial enterprise. The country's monopoly grains exporter is closing offices and cutting staff in its most dramatic reorganisation since deregulation of the sector began over 10 years ago. Page 28

Turkey launches Isbank offering
The on-off privatisation programme in Turkey, which has been dogged by political uncertainty, was given a boost when the government launched the public sale of its 12.3 per cent stake in Turkiye Is Bankasi (Isbank), the country's main privately owned banking group. Page 26

Buenos Aires given benefit of doubt
Argentina's rising trade deficit was flagged as an area of serious concern by an IMF mission that left Buenos Aires last week. However, finance ministers have politely refused the IMF's detailed advice on how to cool the economy, saying the deficit was a healthy one. Investors seem willing to give them the benefit of the doubt. Page 38

Pulp sector bullish on prices
Wood pulp prices have bottomed and are likely to increase from $550 a tonne to $600 a tonne following a sharper than expected fall in stocks in March, according to producers and industry analysts. Pulp prices have remained under pressure because of a rise in excess stocks. Page 28

Aluminium leaders at odds
Two of the world's big aluminium producers were at odds about whether the time was right to re-start production capacity shut down since 1994. Reynolds Metals of the US said it would restart its remaining 130,000 tonnes of capacity at smelters in New York and Oregon later this year. But Alcan, the Canadian group, said it would only reactivate its 130,000 tonnes of idle capacity when London Metal Exchange stocks fell substantially. Page 28

N American rail groups in link-up
Canadian National Railways, Canada's largest rail freight group, announced a 15-year marketing link-up with two US carriers, creating a network from Canada to Mexico. The group will compete with huge carriers such as Union Pacific. Page 21

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MARKET STATISTICS

Italian banks to merge ahead of Emu

Agreement would create country's largest commercial branch network

By James Blitz in Rome and Clay Harris in London

Credito Italiano, one of Italy's leading commercial banking groups, yesterday announced plans to merge with the savings federation Unicredito in a deal that would create the country's largest commercial bank in terms of branches.

The new bank would have some 2,700 outlets and would be Italy's second largest bank in terms of customer deposits.

The planned merger is one of the most important signs of consolidation in Italian banking as the country approaches economic and monetary union next year. It would create a bank with total assets of roughly L300,000bn ($168bn), bringing it into the top 25 in Europe, and an estimated market value of more than $25bn.

Andrea Orcel of Merrill Lynch, the US investment bank which advised both sides, said: "In terms of market capitalisation, they've jumped from nowhere to the top 15 in Europe."

This would give the bank sufficient size to discuss future cross-border deals from a position of parity, he said. Italians have been concerned that their fragmented banking industry could make easy pickings for larger European banks.

The announcement came as a surprise given recent speculation that Credito Italiano was considering a merger with the IMI-San Paolo bank or contemplating becoming a core shareholder in the soon-to-be privatised Banca Nazionale di Lavoro.

Unicredito, an unlisted group with strong roots in northern Italy, had hitherto been considering flotation on the Milan stock market.

Credito Italiano's share price rose by nearly 9 per cent yesterday after the merger agreement that came within a week of its first approach to Unicredito.

Under the proposal, Credito Italiano shareholders would end up with roughly 59 per cent of the combined entity while Unicredito shareholders would have 41 per cent.

Credito Italiano, privatised in 1993, is widely regarded as one of the most successful commercial banks in Italy. Its net profits for 1997 were L480.8bn. Unicredito, which had net profits last year of L410.5bn, is owned by four foundations. It controls three regional banks and has minority participation in others.

Both banks say there will be considerable synergy created through the merger in terms of costs and revenues. Credito Italiano claims to have developed considerable expertise in areas such as asset management.

The deal is the largest merger outside the US for which Merrill has ever acted as an adviser.

In recent weeks, Mediobanca, the normally secretive institution at the centre of complex business alliances, announced a three-year plan to turn itself into a more accessible investment bank. Before that, Banco Ambrosiano Veneto announced plans to merge with the Cariplo savings bank.

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FIGURES OMIT COST OF EMPLOYEE STOCK OPTIONS SAYS REPORT

Discrepancy over US companies' profits

By Philip Coggan in London

The profits of US companies have been overstated substantially because of a failure to reflect the cost of granting stock options to employees, according to a new report.

Smithers & Co, a London-based research group, has recalculated the profits of 100 of the largest US listed corporations and estimates that their profits should have been 30 per cent lower than reported in 1995 and 36 per cent lower in 1996.

The discrepancy arises because the cost of granting options to employees is not charged against the profit and loss account. However, the benefits of the reduced corporate taxes which arise from option schemes are taken as profits.

According to Smithers, stock option schemes are effectively part of employees' compensation and are thus part of a company's costs and should be charged against profits. Conventional accounting has been attacked by Warren Buffett, the US investment guru who runs Berkshire Hathaway.

"Earnings have been overstated because companies have followed the standard – but, in our view, dead wrong – accounting practice of ignoring the cost to a business of issuing options," he said in his 1997 chairman's letter. Companies are, in effect, selling call options (a call gives the right to buy) on their own stock without receiving any consideration. They could hedge this risk by buying call options themselves and charging the cost to the profit and loss account. Smithers estimates this recurring cost would be equal to around 21 per cent of annual profits.

It adds that the income received by employees from option schemes may not be fully reflected in the US national accounts. "In recent years, incomes from employment have probably been rising by around 2-3 per cent per annum faster than the published figure. It is thus likely that official data have been underestimating the rise in inflationary pressures in the market."

The report argues that this overstatement of profits has made no difference to the aggregate overvaluation of the stock market. However, it does affect the relative valuation of individual companies.

It cites a number of companies – Bristol Myers Squibb, Cisco Systems, Dell, Eli Lilly, Hewlett-Packard, Intel, Microsoft, Monsanto, Texas Instruments, Time Warner and Unocal – that would have reported losses in 1996 had the full cost of stock options been allowed for.

USA: The Impact of Employee Stock Options by Daniel Murray, Andrew Smithers and John Emerson of Robson Rhodes, produced by Smithers & Co, 20 St Dunstan's Hill, London EC3R 8HL.

How profits get distorted

	Company A	Company B
Revenue from sales	100	100
Labour costs charged to P&L account	80	100
Profit to employees from exercise of stock options	20	0
Total income of employees	100	100
Increase in net worth	0	0
Profit shown in P&L account	20	0
Overstatement of profit	20	0

Source: Smithers & Co. Company A pays its employees partly with stock options. Company B does not

Words of caution: Ford chairman Alex Trotman emphasised the intensity of price competition Picture AP

Ford overtakes forecast

By Nikki Tait in Chicago

Strong earnings growth from Europe and continued cost reductions helped Ford Motor Company beat market expectations yesterday with a 13 per cent rise in first-quarter profits to $1.7bn after tax.

The Detroit-based carmaker, which made $1.5bn in the first quarter of 1997, said the result – which does not include the one-off gain on the spin-off of its Associates First Capital unit – reflected a solid performance in the US, coupled with sharply improved results from Europe in spite of intense price competition.

Results from South America were also slightly better than expected, although operations remained in the red.

John Devine, finance director, said the impact of the Asian turmoil had "not been substantial yet", although he said the Japanese situation was a continuing concern.

Sales for the quarter were lower in US dollar terms, at $36.6bn ($37.3bn), but Mr Devine said this largely reflected currency movements, notably in Europe where underlying volumes rose.

The result translated into earnings per share of $1.36 – exceeding analysts' forecasts, which had averaged about $1.34, according to the First Call research company. Ford is the second of the US automakers to outstrip Wall Street expectations in the latest quarter, following Chrysler's record first-quarter result last week. General Motors, the largest of Detroit s big three carmakers, is due to report today.

Automotive operations at Ford earned $1.24bn in the first quarter, up 23 per cent against last year. The US results were flat at $1bn and market share eased to 24.5 per cent (25.1 per cent), but Ford continued to post a 5 per cent return on sales – its stated target for the year.

Mr Devine said the company had no imminent plans to match GM's recently announced interest in vehicle rebates, but conceded there was likely to be upward pressure on marketing costs.

In Europe, Ford made $230m, up from $105m, helped by volume gains and cost reductions. Demand was stronger than expected and Ford expects this to continue.However, Alex Trotman, chairman, said competition remained acute – industry volumes were strong, but intense price competition had not abated.

In South America, losses eased to $45m ($47m), with the Brazilian business reporting slightly better than expected results for March.

PolyGram to launch bonds backed by film cashflows

By Simon Davies in London

PolyGram, the Dutch entertainment group, is raising $650m by selling bonds backed by the cashflows of the bulk of the films it produces over the next three years.

Its production schedule includes a film with the working title *Notting Hill*, starring Julia Roberts and Hugh Grant, and a *Thunderbirds* movie based on the cult science fiction puppet show.

It is understood that the cost of funding the bonds will be marginally higher than PolyGram would have to pay if it raised debt through its existing bank facilities.

But this structure has a big advantage in that the financing is totally off balance sheet, freeing capital for other parts of group business. Moreover, if the films flop, the lenders have no recourse to PolyGram.

The group has created a vehicle called Granite Investments, which will issue $624m of senior debt and $26m of equity through the US commercial paper market. The bonds are expected to get an investment grade rating.

They will be backed by the global revenues from films produced during the three-year period, including box office receipts, video sales and any merchandising. The deal has been put together by Citibank.

The structure has been successful in the US, where 20th Century Fox and Universal Pictures raised more than $1bn each to fund production.

It is a big move for PolyGram, a new kid on the Hollywood block. In the early 1990s, it became the first European group to try to take on the large US studios other than by buying one of them.

"The deal shows the confidence of the capital markets in PolyGram's film industry strategy," said Michael Storm, head of securitisation in Europe at Citibank.

The stock market has so far been less kind to the group, implicitly valuing the film division at less than its investment cost, currently well over $1bn. This has driven PolyGram's substantial underperformance on the Dutch stock market.

The film division has had several successes, notably *Fargo* and *Trainspotting*, but it is not projected to break even until 1999.

The securitisation issue will enable the business to become more self-financing until it becomes profitable. The deal has been underwritten by a core group of banks. It will close in a few weeks.

PolyGram is the latest in a growing line of entertainment businesses to use securitisation as a means of gaining relatively cheap capital to fund investment in a notoriously volatile industry.

In Europe, the Cecchi Gori group recently sold bonds backed by the revenues from Italy's largest film library.

Stock markets fall worldwide

By Philip Coggan in London

World stock markets succumbed to profit-taking yesterday as disappointment at the outcome of the Washington meeting of finance ministers from the group of seven leading industrial countries combined with some fears that valuations had become stretched.

In Asia, the Nikkei 225 average fell more than 400 points, and dropped below 16,000, as the G7 failed to produce a plan for concerted intervention to support the Japanese currency.

Meanwhile, the Malaysian and Korean markets dipped 2.4 per cent and 3 per cent respectively on disappointing corporate news.

Asia's weakness passed on to Europe, where the FTSE 100 index briefly dropped below the 6,000 level, as banking stocks retreated. The Footsie rose by more than 15 per cent in the first quarter of the year but has dropped on each of the past three days and in five of the past six trading sessions.

Wall Street opened weaker, with profit-taking setting in after the recent rise in the Dow Jones Industrial Average passed 9,100 and weaker than expected profits from Merck, the pharmaceuticals giant. The Dow was 81.21 points weaker at 9,081.06 by 1pm New York time.

Many European markets, which have been phenomenally strong this year, were weak in the face of the falls in Asia and on Wall Street. The Paris and Frankfurt markets dropped by 1 per cent; Zurich lost 1.5 per cent.

London stocks, Page 34
World stocks, Page 38

ALUMINIUM EUROPE, US HELP GROUP POST FIRST-QUARTER PROFIT

Alcan shrugs off loss in Asia-Pacific

By Scott Morrison in Toronto

Stronger sales in Europe and the US offset weak demand in Asia, enabling Alcan Aluminium, the Canadian producer, to post first-quarter earnings of US$128m, or 55 cents a share.

Net earnings fell to $117m including an after-tax charge of $11m. That compares with earnings of $107m, or 46 cents a share, excluding a $36m special gain, a year ago.

The company said revenues in the first quarter this year rose from $1.87bn in 1997 to $1.95bn.

The results were slightly above analysts' expectations.

Net income from European operations doubled over last year to $24m, while US income rose from $26m to $31m. The company posted a $6m loss in Asia-Pacific, compared with income of $13m.

Lower production costs and strong demand for fabricated products allowed the company to post improved operating earnings despite lower metals prices.

Jacques Bougie: weakness in prices is feeding through

First-quarter operating income for primary products fell from $166m to $130m owing to lower market prices for ingot, while earnings from raw materials and chemicals were up sharply from $8m to $39m a year before.

Income from fabricated products rose from $65m to $76m, reflecting substantially higher volumes and improved profit margins in Europe and the US.

Jacques Bougie, Alcan chief executive, warned that recent weakness in metals prices had started to flow through to some fabricated products, and that continuing difficult business conditions in Japan would lead to further restructuring costs at Nippon Light Metal, 46 per cent owned by Alcan.

Commodities, Page 28

Merck ahead 14% in first quarter

By Tracy Corrigan in New York

Merck, the US-based pharmaceuticals company, yesterday reported first-quarter net income of $1.16bn, up 14 per cent from the 1997 period, driven by volume gains in established and newer drugs.

Earnings per share of 95 cents were up 16 per cent from the previous year and in line with analysts' estimates. Sales for the quarter rose 9 per cent to $6.1bn.

"Both our domestic and international operations reported solid unit volume gains," said Raymond Gilmartin, chairman and chief executive. "The unfavourable effects of inflation, net of price, and exchange were partially offset by cost controls and productivity improvements in manufacturing, selling and general and administrative expenses."

The strong dollar knocked two percentage points off first-quarter sales growth. Sales outside the US fell to 25 per cent of the total, compared with 29 per cent a year ago.

However, analysts said the underlying growth of some key drugs was disappointing.

"The revenue growth of some key products was below expectations," said Hemant Shah, an analyst at pharmaceuticals specialist HKS. He said the growth rate of Zocor, Merck's cholesterol-lowering medicine, had slowed, and the revenues from Propecia, the newly launched baldness tablet, were disappointing. He was also concerned about the underlying growth of Vasotec, the ACE inhibitor, for the treatment of high blood pressure.

Merck said that Zocor "continues its strong volume growth and continues to be the most widely used cholesterol-lowering medicine worldwide".

Zocor and Mevacor, Merck's other cholesterol-lowering medicine, hold more than 40 per cent of the market. The cholesterol-lowering market continues to grow at more than 20 per cent a year but is becoming increasingly competitive as a result of new entrants.

Mr Shah said: "Merck's newer products will have to do well in the year 2000 and beyond" because of patent expirations. He suggested that the next few quarters will be closely watched on Wall Street.

As well as Propecia, the first tablet to treat male pattern baldness, launched in the US in January, Merck introduced Singular, its new once-a-day tablet for controlling chronic asthma in adults and children over six, in the US in March. Analysts said it was too early to gauge its reception.

Merck shares fell 3 per cent to $119 13/16 in a weak market.

Texas warns of weakness in chip sales

By Louise Kehoe in San Francisco

Texas Instruments reported a 28 per cent jump in first-quarter earnings, before special charges, but the US chipmaker warned that weakness in the world semiconductor market would hold down sales and earnings in the second quarter.

Net income for the quarter, before charges, was $176m, up from $138m a year ago. The increase was primarily the result of a rise in interest income. Earnings per share were 44 cents, compared with 35 cents last time.

Including special charges, the loss from operations was $22m, compared with a profit of $171m a year ago. Net income was $11m, or 3 cents a share, compared with $102m, or 26 cents.

Results for the period included special charges of $244m, most of which was related to the company's decision to end a memory chip venture with Hitachi of Japan by purchasing the operating assets.

Last year's first-quarter results included a restructuring charge of $56m.

Revenues for the first quarter were $2.2bn, compared with $2.3bn last time. The year ago figure included revenues from businesses that have since been sold. Excluding these, revenues were down 1 per cent.

TI said sales of its flagship digital signal processor chips, used in communications equipment and computer graphics applications, were up from a year ago. However, revenues from memory chips dropped sharply due to a 60 per cent fall in prices over the year.

Losses from TI's memory chip business more than doubled, compared with a year ago, to $129m. Semiconductor sales were also depressed by economic turmoil in Asia and moves by personal computer manufacturers to reduce component inventories.

TI said it now expected the world semiconductor market to grow by only about 5 per cent or less in 1998. This was down from the industry's typical growth pattern of about 15 per cent a year.

However, demand in the US remained relatively healthy and the European market was strong, TI said. "These strengths, together with possible stabilisation in the Asia-Pacific region, could set the stage for stronger semiconductor growth in 1999 and beyond," the company said.

Gillette lifts payout as sales climb to record

Gillette, the US shaving products maker, reported record first-quarter sales and a 6 per cent increase in profits, in line with expectations, Reuters reports from New York. It also increased its common stock dividend by 19 per cent in anticipation of strong new product performance in 1998.

Sales for the quarter to end of March were $2.02bn, up 6 per cent over a year earlier. First-quarter net income was $268m, up 14 per cent from the previous year's $236m.

The results came despite a year-on-year decline in sales and profits at the company's core blade and razor business during the quarter.

However, the group said sales and profits at its Duracell battery business were substantially higher than in the same period of the previous year.

Sales of Braun Products grew moderately in the first quarter, but profits there rose sharply.

However, Gillette shares fell sharply after the news, falling as much as $5 in early trading amid a market decline. By early afternoon the shares were recovering, trading down $1 11/16 at $115 13/16.

Earlier this week, Gillette launched a new, three-blade razor which it hopes will capture a 25-30 per cent market share for wet-razors, becoming the world's leading seller.

Gillette is spending $1bn on the new product, called Mach3, including $300m on a worldwide marketing campaign over the next 18 months.

The Mach3 is critical to Gillette, which dominates the world market for wet-shave products. Its Sensor razor, launched nine years ago has a 70 per cent world market share, but sales have flattened recently after achieving double-digit growth.

The company spent $750m on manufacturing systems to make the Mach3 and $200m on research and development.

It is the first razor to be equipped with three blades, which Gillette claims gives an unprecedentedly close shave.

Cominco and Marubeni close $250m deal

By Sally Bowen in Lima

Cominco of Canada and Japan's Marubeni Corporation have closed a $250m debt financing deal for the expansion of the Cajamarquilla zinc refinery near Lima, which will make it one of the world's largest and most efficient.

It will take refining capacity from 100,000 tonnes to 240,000 tonnes a year.

Cajamarquilla's location close to the central highway and railroad, which transport the bulk of minerals concentrates from Peru's main mining zone, also makes it one of the lowest-cost refineries.

The fixed capital cost of the expansion is $350m. Commercial lenders brought together by Citicorp Securities and Bank of Montreal will provide $120m repayable over 10 years and Canada's Export Development Corporation will put up $80m over 12½ years under a term loan facility. Peru's Banco de Credito will provide $50m for working capital.

Part of the new loan will refinance about $44m of original acquisition debt. Cominco, which owns 82 per cent of the local operation, and Marubeni will guarantee the loan until project's completion, due within 36 months of the loan closure.

Cajamarquilla is important to Cominco. The November 1994 acquisition at a privatisation auction of the former state-owned property made the Vancouver-based company the third largest zinc refiner in the world. It is already the largest global miner of zinc, because of its Red Dog mine in Alaska.

Cominco forecasts that demand for zinc will increase at about 2 per cent a year. "We foresaw that demand was, before too long, going to exceed supply," says Kieran Metcalfe, general manager at Cajamarquilla. "The Asian hiccup may push that moment back for a couple of years, but it will still happen."

Peruvian zinc output has surged on the back of international prices. Production expanded last year by 13.8 per cent to 722,100m tonnes.

Four-fifths of Peruvian production is exported in the form of concentrates. Cajamarquilla purchases about 12 per cent of output for refining. MetalOroya – the former Centromin complex now majority-owned and operated by Doe Run of the US – is Peru's only other zinc refinery, producing some 70,000 tonnes a year.

Cajamarquilla purchases zinc from a wide variety of local mines. It has looked at buying a stake in Cerro de Pasco, the huge Centromin-owned zinc mine in the central Andes. But chronic delays in getting the property to auction, and doubts over reserves levels have put back that project.

Meanwhile, the Canadians are working with partners on the Bongara zinc mining project close to the Ecuadorean border. They also have about 13 per cent of El Brotcal, a promising and largely unexplored Peruvian mine.

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COMPUTER RESELLING COMPUTER 2000 PURCHASE FULFILS STRATEGY OF GAINING A PRESENCE IN EUROPE

Tech Data consolidates position

By Christopher Price in San Francisco

The acquisition this week of Computer 2000, the German computer business, by Tech Data of the US, has brought the unglamorous world of computer reselling into the limelight.

The deal, in which Tech Data will take an 80 per cent stake valued at $395m in Computer 2000, reinforces the group's position as the second biggest reseller in the world.

Computer resellers distribute computer and computer products to retailers and direct to companies, together with associated services such as credit, consultancy and after-sales support.

Tech Data is now quickly closing the gap on market leader Ingram Micro, which is focused primarily on the US computer market.

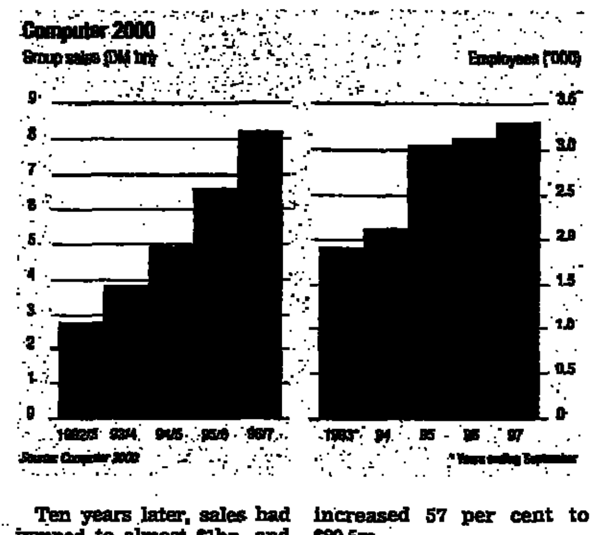
The new group will supply around 150,000 computer resellers in 45 countries, with sales of almost $12bn and net income of some $150m.

For Tech Data, the purchase fulfils its strategy of gaining a presence in some important markets, not least in Europe, where Computer 2000 is the largest operator. Among the other areas of interest for the US group is Latin America, where Computer 2000 has subsidiaries in Argentina, Chile, Uruguay and Peru.

Tech Data sees the region as a key market for the next century.

"This deal gives us a dramatic advantage in the global marketplace," says Steven Raymund, chairman and chief executive of Tech Data. "It is a major milestone for the group and greatly strengthens our presence in our target markets."

Tech Data was established in 1974 by Mr Raymund's father, working out of a small store in Clearwater, Florida. Organic growth led to sales of $2m by 1983, when the company decided to move into distribution just as the personal computer market was becoming established.



Ten years later, sales had jumped to almost $1bn, and the company had expanded its reselling business to offer services, including technical support, credit, training and consultancy.

It had also joined the Nasdaq stock market, where it is currently valued at $2.3bn. In the year to January 31, 1998, sales rose 53 per cent over the previous year, to $7.1bn, while net income increased 57 per cent to $89.5m.

Tech Data has around 13 per cent of the estimated $45bn a year US micro-computer distribution market, according to MSI, the US market research group. Ingram, the market leader, has 26 per cent, while in third place is Merisel, with an estimated 7 per cent.

The Computer 2000 deal is the Tech Data third foray into Europe in as many years.

In 1995, it bought a small French distributor, which was followed last year by the acquisition of Germany's fourth largest reseller, Macrotron.

This second purchase took the proportion of Tech Data's overseas revenues from 13 to 20 per cent. Computer 2000 is likely to increase that figure to more than 50 per cent.

However, Tech Data said yesterday that because of the overlap of the two German businesses, the future of Macrotron had not been decided, although a disposal was a possibility.

The deal involves the issue of $300m of convertible loan notes, together with 2.2m shares to Computer 2000's parent, Viag, the German conglomerate.

However, the agreement also ring-fences Tech Data from the problems facing Computer 2000's US business, Ameriquest Technologies, which has being experiencing financial difficulties.

US toymakers hit by troubles at Toys R Us

By Richard Tomkins in New York

Mattel and Hasbro, the two leading US toymakers, were hit by problems at Toys R Us and the strong dollar in the first quarter. But Mattel, the biggest, still managed to increase profits.

Toys R Us suffered unexpectedly weak profits over the Christmas season and responded with a cost-cutting campaign that included efforts to reduce inventories in its US stores.

For Mattel, the move resulted in a sharp decline in shipments of its Barbie dolls, wiping $40m off revenues. But most other lines were unaffected, and Mattel's overall sales rose from $694m to $705m in spite of the strong dollar.

Net profits were $10.7m compared with the prior year's loss of $207m after a restructuring charge that accompanied the acquisition of Tyco Toys. Without the charge, the prior year's net profits would have been about $2.3m.

Underlying earnings per share rose from 0.1 cent last year to 4 cents, a cent ahead of expectations.

Jill Barad, chairman and chief executive, said although Barbie shipments were down, retail sales of Barbie dolls remained very buoyant: so far this year, they were up 27 per cent.

"The strength of our portfolio of brands and our strong financial position give us continued confidence that we will achieve our projected earnings per share growth of at least 15 per cent for the year," she said.

Hasbro was more badly hit by the problems at Toys R Us. Revenues fell 11 per cent in local currencies, and after the impact of the strong dollar, reported revenues tumbled 13 per cent from $556m to $482m. Net profits fell from $25.7m to $7.8m and earnings per share fell from 20 cents to 6 cents, a cent ahead of expectations.

Alan Hassenfeld, chairman and chief executive, said the decrease in revenues had a disproportionately large impact because revenues were traditionally lowest in the first quarter.

He said sales and earnings momentum would build in the second half – not least because of the US television launch of Teletubbies.

N American rail groups in link-up

By Edward Alden in Toronto

Canadian National Railways, Canada's largest rail freight carrier, announced yesterday a 15-year marketing alliance with two big US carriers to create a rail network from Canada to Mexico.

The agreement with Illinois Central and Kansas City Southern Railway will make the new alliance a big competitor for north-south traffic through the US midwest, pitting it against the huge US carriers such as Union Pacific and Burlington Northern Santa Fe. It will also further strengthen Canadian National's lead in US-bound traffic over its rival, Canadian Pacific.

The alliance is anticipating increases in automotive and international container traffic, as well as chemicals and forest products. It will be able, for instance, to offer single-price service for moving vehicles from plants in Ontario and Michigan to Kansas City and Dallas.

It will also give Canadian National access for the first time to the growing Mexican market.

Since the conclusion of the North American free trade agreement in 1994, traffic across the Canada-US border has been growing at about 11 per cent a year and Mexico-US traffic is rising by 11-14 per cent. In contrast, east-west traffic has been growing at just 4 per cent.

The three companies have agreed to co-ordinate sales and marketing operations, fleets and information systems.

Digital's revenues fall ahead of merger

By Christopher Price

Digital Equipment yesterday reported a 4 per cent decline in third-quarter revenues to $3.2bn as a result of currency effects and customer "hesitation" over the computer group's planned takeover by Compaq Computer.

Net income rose from $51m, or 27 cents a share, to $307m, or $1.99. That included a $201m after-tax gain from the sale of Digital's network products business to Cabletron Systems. Net income from continuing operations amounted to $106m, or 65 cents a share, well ahead of analysts' forecasts of 46 cents a share.

The company said this was largely because of good sales growth for its Windows NT Intel-based servers and its Alpha computer product range, as well as improved service revenues.

Product sales declined 11 per cent to $1.7bn, partly because of the sale of the network products division. On a continuing basis, and at constant exchange rates, sales rose slightly.

Revenues from the service business increased marginally to $1.5bn, though at constant rates the rise was 9 per cent. Most of the sales growth was attributed to the US and Europe.

South-east Asian sales declined by 5 per cent and the company said the outlook for the region continued to be poor. Sales of the Windows NT Intel-based servers rose 43 per cent, while Digital's Unix AlphaServer range increased 11 per cent.

Robert Palmer, chairman and chief executive, said the group's performance had been encouraging "in an environment of continued problems in the Asian economy, a strong US dollar worldwide, and an understandable, temporary hesitation by customers after our agreement to merge with Compaq was announced."

Digital said it expected the deal to be completed within the next three months.

NEWS DIGEST

ALUMINIUM

Reynolds Metals beats forecasts

Reynolds Metals, the second largest aluminium producer in the US, yesterday reported a sharp improvement in first-quarter profits to $58m, compared with $43m previously, despite a small fall in revenues from $1.62bn a year ago to $1.53bn. The company said the underlying improvement was even greater, since the 1997 quarter had been boosted by asset sale proceeds of $23m. Earnings per share from underlying operations rose from 27 cents to 78 cents – easily beating analysts' expectations of around 72 cents.

The company said shipments totalled 362,000 metric tonnes, compared with 390,000 tonnes a year ago. Excluding disposals, revenues and shipments were up by 4 per cent and 9 per cent respectively. It attributed the better-than-expected results to increased sales volumes, lower conversion costs in ongoing operations, and lower head office and interest expenses. It said that higher prices for fabricated products had been partially offset by a lower price for primary aluminium, but forecast continued strong demand in the aluminium market. **Nikki Tait, Chicago**

See Commodities

BANKBOSTON

Boost from emerging markets

BankBoston's first-quarter net income rose 24 per cent as the bank focused on highly profitable businesses, such as emerging markets operations. The company continued its expansion in Latin America, adding 46 new branches in Argentina and eight in Brazil. BankBoston has also announced the purchase of OCA, the largest credit card company in Uruguay.

BankBoston has cut costs through joint ventures with other banks to achieve economies of scale. In the first quarter the bank completed its planned credit card venture with Bank of Montreal and First Annapolis, and merged its stock transfer subsidiary, Boston Equiserve, with First Chicago NBD. As part of its refocusing effort, the group sold its 26 per cent stake in the mortgage banking company HomeSide for $165m.

Net income for the first quarter was $238m or $1.58 cents a share, compared to $207m, or $1.27, last year. Return on equity was 21.3 per cent and return on assets was 1.39 per cent. **Victoria Griffith, Boston**

ELECTRONICS

Hughes advances 26%

Hughes Electronics, the electronics subsidiary of General Motors, yesterday reported a sharp improvement in first quarter earnings for 1998, with revenues rising by 26.1 per cent, to $1.29bn, and after-tax profits rising to $53.7m, compared with $23.9m in the same period a year earlier. Earnings per share were 13 cents compared with a pro forma 6 cents in 1997. Analysts' forecasts had averaged around 9 cents a share, according to First Call.

The company, now shorn of its defence business, said there had been growth in all four large business areas, with the "direct-to-home" broadcast division showing record subscriber growth and a 64.6 per cent increase in revenues, as well as cutting its operating loss from $67.5m to $31.6m. The satellite services and manufacturing operations also posted higher profits, at $85.7m and $55.1m respectively. The network systems division saw a small revenue gain. **Nikki Tait**

BELGIUM CONSULTANCY DEMANDS NEW VALUATION OF KREDIETBANK DEAL

Objection to Cera merger

By Jane Martinson in London and Neil Buckley in Brussels

A corporate governance consultancy *is demanding* a further independent valuation of Belgium's biggest merger this year as part of its fight to improve the deal for shareholders.

The action by Deminor, the Brussels-based consultancy, against the merger of Cera Bank, Kredietbank and ABB Insurance is a rare sign of shareholder activism in Brussels and continental Europe.

The consultancy, which specialises in acting for *minority shareholders, wrote* to Cera Bank this week, spelling out its objections on behalf of more than 500,000 individual shareholders of *the co-operative bank.*

The deal, announced last month, will create Belgium's biggest financial services group and one of its largest companies by market capitalisation, of about BFr510bn ($13.7bn).

Deminor has criticised the deal on the ground that the thousands of small co-operative shareholders which own Cera, Belgium's sixth biggest bank, are losing valuable rights and a controlling stake in the newly formed *company.*

Erik Bomans, a consultant at Deminor, said: "We have never seen anything like this in Belgium. The way they are treating individual shareholders will lead to financial damage."

The group is not opposed to the deal itself. "Our objective is not to block the transaction, as we think it is, on the whole, in the best interests of the companies involved," said Mr Bomans. "But the distribution of the cake has been unequally done."

Deminor, which says it has won the backing of hundreds of individual investors, has objected to the transfer of shares worth BFr67.5bn to Boerenbond, a farming cooperative which owns stakes in both Cera and ABB, as part of the proposed deal.

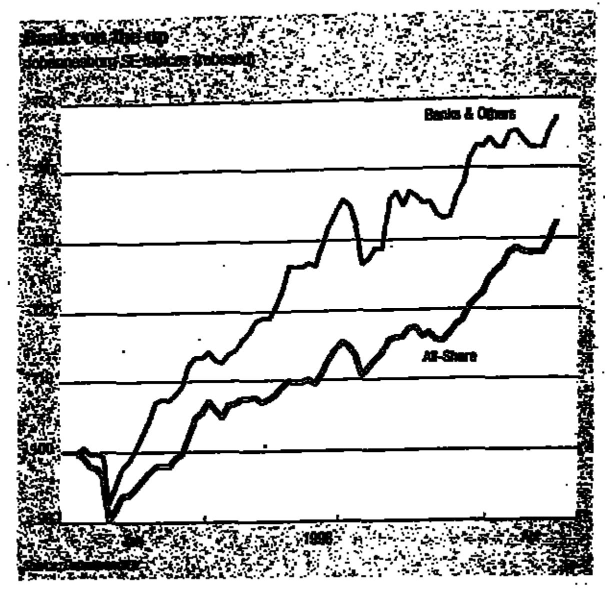
It aims to call a press conference next week in which it could propose its own independent valuer for this part of the business.

Deminor also believes that the individual shareholders should gain a controlling interest in Almanij, a holding company in the merger *company*, whereas their stake will be 38 per cent, of which only half carries voting rights.

Cera was unavailable for comment yesterday.

Old money freed up in new South Africa

A shake-up in the financial services sector is motivated by aspirations to grow *internationally*, writes **Victor Mallet**



South Africa's financial services industry, constrained for years by apartheid and economic sanctions, has embarked on a series of mergers, bids and international acquisitions. Executives in the industry say there will be more deals *in the months ahead before* the period of upheaval draws to a close.

Insurance, banking and asset management are among the most successful sectors in a stagnant economy previously dominated by gold mining. The big South African financial services groups are starting to flex muscles abroad and focus on core businesses now they are no longer obliged to invest their spare cash in mixed assets in the domestic market.

They are also embracing international trends, including consolidation, demutualisation and "bancassurance", the selling of life assurance products through retail bank networks. Boardrooms are awash with talk of synergy, rationalisation and shareholder value.

Among the changes are the forthcoming demutualisations of Sanlam and Old Mutual, the life assurance groups which will instantly become two of the biggest companies on the Johannesburg Stock Exchange if – as expected – they are listed later this year and in 1999 respectively.

"Financial services are moving across borders and product lines," says Marinus Daling, Sanlam executive chairman. He argues that groups such as his need to make alliances with other financial companies and increase their overseas presence to present a comprehensive range of products to customers and become world class. "I think the best way to learn to swim is to get into the swimming pool."

Sanlam already has a 25 per cent share of life assurance, pension and unit trust business in South Africa, which limits the opportunities for further growth at home. "I can't see how it can make business sense to grow that market share aggres*sively to higher levels,"* says Mr Daling.

Other recent deals include the merger of the financial services interests of Anglo American and RMB Holdings – the new merged company, FirstRand, will have a market capitalisation of about R59bn and assets of R250bn ($11.7bn-$49.7bn) – and the planned creation of a single holding company to manage the banking, life assurance and fund management operations of Liberty Life and Stanbic. Liberty Life said in March it could spend up to £2.5bn ($4.2bn) to buy an international life company.

The Cape Town-based Board of Executors group has announced a R17.9bn plan to simplify its cross-shareholdings with its partners to create a focused investment banking organisation, and is looking for a life assurance partner. Absa, the banking group, says it is moving towards bancassurance. Investec, the fast growing South African financial group, is buying UK investment bank Guinness Mahon for £95m.

Some deals have been driven by the need to provide assets for black investors – part of the process of black empowerment. Others are prompted by the need to unwind complicated shareholding structures or disposing of non-core assets acquired during the apartheid era.

But behind most of the recent South African announcements is the need to become more efficient service providers and users of capital in order to compete against international rivals, both overseas and in the domestic market. About 70 foreign banks have set up offices in Johannesburg in the past few years to win lucrative corporate finance deals while shunning the costly and crime-ridden business of retail banking.

Some of the foreign bankers, while acknowledging that the financial services sector is more sophisticated and technologically advanced than the rest of the South African economy, doubt whether South African companies – except perhaps groups such as Old Mutual and Liberty Life – will be able to fulfil their overseas ambitions.

"What makes South African companies think they can be global players?" asks one Johannesburg-based investment banker. "Where is Absa's competitive advantage as an international player?"

South African companies insist they do have advantages, especially in their historical stronghold in southern Africa and, by extension, in other emerging markets. They believe they can make money by acting as financial intermediaries between southern Africa and the rest of the world. "We are not attempting to be Goldman Sachs or Merrill Lynch," says Stephen Koseff, Investec chief executive. "We're not trying to be global, we're trying to be international."

Clive Cook, insurance analyst at BOE Securities, says that South African groups such as Sanlam and Liberty will have to prove themselves to doubtful investors when they make forays in the developed world. "It's going to be greeted initially with a bit of scepticism by international fund managers," he says. "But it may not take all that long to show that it can be done."

In the short term, there are likely to be further deals in the South African financial services industry. Medium-sized life companies such as Norwich Holdings, which recently fought off a hostile bid from African Life, are seeking – or being sought by – potential banking partners.

"We haven't seen the last of this," says Mr Cook. "By the end of April we'll see a further announcement on Liberty-Stanbic and then certainly further action on Norwich."

CIB to offer insurance

By Mark Huband in Cairo

Commercial International Bank, Egypt's largest private sector bank, is to offer a wide range of insurance policies as part of an extensive expansion intended to establish its presence in all areas of the Egyptian and regional financial sector.

"We are in the closing stages of finalising a joint venture with a major European insurance company," said Adel el-Labban, managing director.

Such a deal would be a significant response to the government's decision to open the market to foreign companies.

CIB's expansion plans come as it reported record profits for 1997 of $78.7m, up $7.7m on 1996. It is now planning a capital increase and bond issue to finance expansion in the financial services sector.

By 2001, CIB expects to be generating up to 25 per cent of its income from non-bank financial services. A further 10 per cent is expected to be generated by accounts, cross reference business and fees.

"We have decided to start growing this business in stages. We have also decided that being a player on the custody side is key. We have a custody portfolio of $250m, and this is growing," Mr el-Labban said.

"If this is all achieved, then CIB will truly have become an integrated financial services group, with interests in brokerage, mutual funds, pension products, leasing and insurance. It'll be one-stop shopping, leveraging on a name that is recognised."

CIB generated a 23.4 per cent return on average invested equity in 1997. Asset value soared by 23.9 per cent to $3.9bn, while loans and deposits grew by 23.8 per cent and 20.8 per cent, respectively. The results place it fifth in the Egyptian market in terms of assets.

Joint venture partnerships are regarded as essential to CIB's *plans to expand* operations throughout the Middle East and North Africa.

"We have to grow regionally, even though we haven't yet achieved what we want to achieve in Egypt," Mr el-Labban said.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 17.04.98 — Final Prices for Trading on [illegible]

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	15.71	18.09	18.09	0.00
0100	15.71	19.09	19.08	1.60
0130	15.72	19.09	19.08	1.60
0200	17.00	19.09	19.08	1.60
0230	17.00	18.09	16.09	0.00
0300	17.00	16.07	16.07	0.00
0330	17.00	16.07	16.07	0.00
0400	17.00	16.07	16.07	0.00
0430	17.00	16.06	16.06	0.00
0500	17.00	16.04	16.04	0.00
0530	17.00	10.44	10.44	0.00
0600	17.00	16.07	16.07	0.00
0630	17.00	16.09	16.09	0.00
0700	22.11	20.05	20.05	0.00
0730	28.03	39.83	39.83	1.60
0800	34.21	39.84	39.83	1.60
0830	43.04	40.85	40.84	1.60
0900	45.39	40.85	40.84	1.60
0930	41.41	73.29	73.28	1.60
1000	42.07	73.29	73.28	1.60
1030	42.29	73.29	73.28	1.60
1100	43.06	40.85	40.84	1.60
1130	45.06	28.87	28.87	1.60
1200	45.08	28.87	28.87	1.60
1230	41.41	40.85	40.84	1.60
1300	36.50	40.85	40.84	1.60
1330	28.99	40.85	40.84	1.60
1400	26.26	39.83	39.83	1.60
1430	41.88	39.83	39.83	1.60
1500	87.85	39.85	39.83	1.60
1530	87.06	20.05	20.05	0.00
1600	22.67	20.02	20.02	0.00
1630	40.11	20.03	20.03	0.00
1700	40.19	20.01	20.01	0.00
1730	22.34	30.57	30.56	1.60
1800	22.08	20.02	20.02	0.00
1830	27.70	20.75	20.75	0.00
1900	85.89	31.46	31.45	1.60
1930	85.86	46.40	46.39	1.60
2000	27.81	41.01	41.00	1.60
2030	27.81	32.80	32.79	1.60
2100	39.19	26.60	26.59	1.60
2130	39.18	21.86	21.85	1.60
2200	28.72	21.86	21.85	1.60
2230	28.71	20.03	20.03	0.00
2300	16.14	20.02	20.02	0.00
2330	16.14	16.09	16.09	0.00
2400	16.14	16.06	16.06	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.60/MWh becomes 1.66p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity [illegible]

Iberdrola upbeat on EDP

Iberdrola, the Spanish electric utility, said it expected to be chosen by the Portuguese government as a partner for EDP-Electricidade de Portugal, the state-controlled power group, Reuters reports from Madrid.

Portugal wants to sell 4.5 per cent of the group to two international strategic partners – one northern European and one Spanish.

"We think we will be chosen by the Portuguese government as the strategic partner for EDP," Javier Herrero, chief executive, said.

The move is seen as crucial to Iberdrola's strategy of expanding abroad as domestic competition becomes tougher and markets are liberalised.

In an effort to lift its international profile and diversify, Iberdrola aims to invest about Pta70bn ($459m) a year.

"We are planning to invest Pta50bn a year in international investment, and about Pta20bn a year in diversification," Mr Herrero said.

He said this was manageable "without any strain on the firm's financial structure".

Iberdrola's expansion strategy sought to produce growth both domestically, in non-electrical businesses, and abroad, but the group was "not aiming at mere expansion, but also intended *to add value,"* Mr Herrero said.

Overseas investment plans were designed to achieve growth in emerging markets, such as Latin America, as well as in Europe, he added.

In Europe, Mr Herrero said that Iberdrola was studying alliances.

"In Eastern Europe we can't go it alone, as others cannot go it alone in Latin America.

"We are looking to possible alliance with firms in countries with liberalised markets and with views similar to ours," Mr Herrero said, referring to the UK and Germany.

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Westland-Agusta alliance flies into top league

World helicopter market is set for further rationalisation, writes Alexander Nicoll

Things have gone well for Westland, the UK's only helicopter maker, since it was acquired by GKN four years ago.

In a sector of the aviation industry where big orders are few and far between – especially at a time of dwindling defence spending – it has won some hard-fought competitions, building a £3.8bn ($6.4bn) order book which will keep its workforce of 3,800 active until 2003.

With yesterday's announcement of an alliance, and possibly a merger, with Agusta of Italy, it stands to broaden the range of models which it can market, adding Agusta's civil helicopters to the military products of both companies.

This will put the future alliance in a stronger position to compete with Eurocopter, the one other remaining manufacturer in western Europe, which is a joint venture between Aerospatiale of France and Daimler-Benz Aerospace of Germany.

A combination of Westland and Agusta will also be on a par with Boeing, Bell and Sikorsky – all of the US.

According to figures from the Teal Group of the US, each of the four groups and the Westland-Agusta combination sold about $900m of new helicopters in 1997, giving them roughly equal shares of the $4.5bn market of western world producers. Military helicopters make up the bulk of the market in value terms.

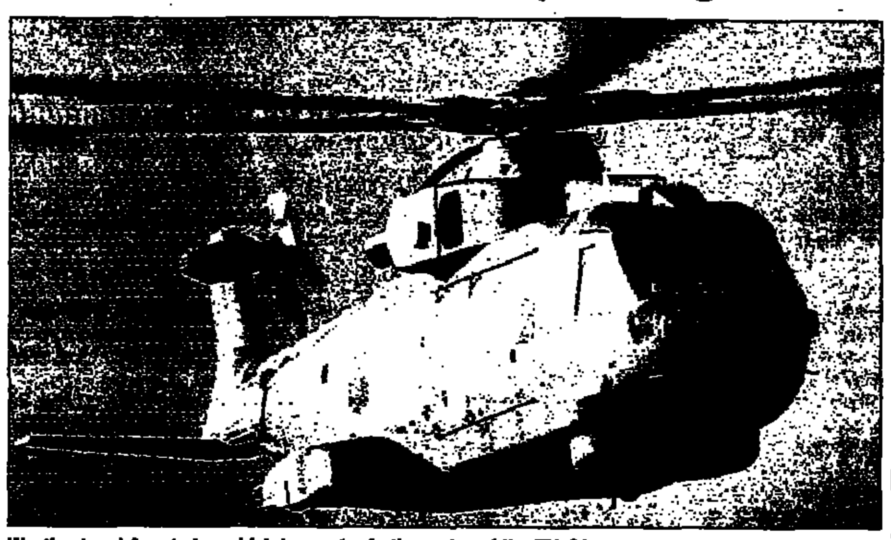
The Westland-Agusta deal is unlikely to be the last move in the rationalisation of the helicopter market.

All three US manufacturers – reduced from four last year when Boeing acquired McDonnell Douglas – face little growth in sales with their main customer, the Pentagon, under continuing pressure to cut spending. Boeing recently announced that it would no longer make civil helicopters.

In what one participant yesterday called a "global village" of a market, the six groups are all involved in a complex network of collaborations on individual helicopter programmes, any of which, like the Westland-Agusta alliance, could develop into a bigger corporate deal.

For Westland, such a happy position could hardly have been foreseen in the dark days of 1986, when it suffered a cash crisis and its fate became the subject of a bitter dispute within the then Conservative government. Michael Heseltine, then defence secretary, and Sir Leon Brittan, trade secretary, resigned from the Cabinet in the argument over whether Westland should fall under US control or join the Eurocopter consortium.

In the end, it did neither, and 12 years later it remains on its own, smaller in sales terms than its main rivals.



Westland and Agusta have high hopes for further sales of the EH101

Westland's range is entirely military. It has orders for 185 helicopters: 67 AH-64 Apache attack helicopters for the British Army (built under licence from Boeing); 44 EH101 Merlin anti-submarine warfare helicopters for the Royal Navy (though the prime contractor is Lockheed Martin of the US); 22 EH101 transport helicopters for the Royal Air Force; 16 EH101s for the Italian navy; 15 EH101s for the Canadian forces; one EH101 for the Tokyo police; 13 Lynx helicopters for an Asian buyer, believed to be South Korea, and seven Super Lynx for the German navy.

Since the EH101 is produced jointly by Westland and Agusta, much of the Italian company's $2.5bn order book is common with Westland. It also makes the A109 and A119 small civil helicopters, the A129 light attack helicopter, and the Agusta Bell 412 under licence from Bell.

Agusta is developing the A139 12-seater and is a partner with Eurocopter, among others, in the development of the NH90 transport helicopter.

GKN said that the two companies were complementary and that there was no overlap between their product ranges.

Both companies are hoping to make considerably more sales of the EH101, especially to the UK and Italian armed forces.

They also aim to win orders for the EH101 in the US following Canada's recent reversal of a previous government's decision to cancel its order.

Finmeccanica shapes up for fightback

By James Blitz in Rome

The alliance forged between GKN Westland and Agusta is the latest sign of how Finmeccanica, Italy's state-controlled defence and industrial conglomerate, is restructuring in the face of fierce competition.

For decades, Finmeccanica has been one of the largest state-run conglomerates in Italy, with a range of subsidiaries that are internationally known in defence, aerospace, energy equipment and transport.

However, growing competition has been partly responsible for a declining performance by the group – last year losses deepened to L2,350bn ($1.32bn) – and Finmeccanica has had to rethink its overall strategy.

The first phase of the reconstruction began last year, when the group incurred L1,629bn of restructuring costs. The Finmeccanica board approved a L2,000bn capital increase, due to be fully implemented later this year.

The international alliances are the third stage of the strategy, allowing the group to transform itself from a conglomerate into what one of its executives calls a "holding company with a range of international participations".

Earlier this month, Finmeccanica signed a $3.4bn deal with General Electric Company of the UK under which the two sides will bring together missile, naval and radar systems. The agreement is being seen as a sign of the consolidation in Europe's defence industry in the face of US competition.

The Italian group is also talking to British Aerospace about the possibility of its Alenia Aerospazio subsidiary linking with BAe in the field of space and satellite communication.

Elsewhere, attention is focusing on the future of the Ansaldo energy group, amid hopes that an alliance can soon be struck with Daewoo of South Korea. Although Finmeccanica has committed itself to selling its 61 per cent stake in Elsag-Bailey Process Automation, it is yet to make a final announcement on the nature of the sale.

Credit Suisse trims US activities

By William Hall in Zurich

Credit Suisse, the second biggest Swiss bank, is closing its Credit Suisse private banking operations in the US and Canada as it has not been able to generate enough business to justify maintaining specially staffed locations in New York, Miami, Los Angeles, Toronto, Montreal and Vancouver.

Private banking is one area where Swiss banks have traditionally been well ahead of US competition. Credit Suisse's decision to restructure its North American operation is surprising, given that it was the fastest-growing part of its private banking business last year.

The move underlines the difficulty Swiss banks face in exporting Swiss-style private banking. The majority of Swiss private banking is aimed at offshore clients, but the most rapidly growing part is onshore business, in which the US represents the biggest market.

Credit Suisse stressed it was not pulling out of private banking in North America, but was redirecting its business to focus on asset management for wealthy families. It will concentrate on asset-gathering and portfolio management and end its deposit-taking and lending activities.

Clients of Credit Suisse Private Banking will in future be served by Credit Suisse First Boston, the group's investment bank, by Credit Suisse Asset Management or by Swiss American Securities.

The move comes only a month after Coutts, NatWest's private banking arm, closed its offices in Beverly Hills, San Diego and New York.

NEWS DIGEST

PHARMACEUTICALS

Ares-Serono hit by loss of US market share

Ares-Serono, the world leader in infertility drugs, reported a drop in sales for the second quarter running due to a loss of market share in North America, its biggest market.

First-quarter sales of the Swiss biotech company fell 8.6 per cent, to $193.8m. In local currency terms, sales fell 3.2 per cent, which compares with a 1.8 per cent decline in the final quarter of 1997 and growth rates of between 16 per cent and 24 per cent in the first three quarters of last year.

Sales in North America fell 20 per cent to $49.4m in the first quarter and market share dropped to 65 per cent.

Despite the sales decline and a higher research and development spend, net income rose 12.7 per cent to $18.5m in the first quarter.

Ares-Serono, whose shares nearly doubled last year, has been one of the worst performing Swiss stocks this year. Its shares closed SFr130 higher at SFr2,290 yesterday.
William Hall, Zurich

WIND POWER

Vestas in DKr1bn share offer

Vestas, the Danish company which claims to be the world's leading producer of wind turbines for power generation, is hoping to raise about DKr1bn ($146m) with an offer of 4.76m shares which is open until April 28. Vestas increased turnover from DKr1.88bn in 1996 to DKr1.95bn in 1997. Profits after net financial items increased from DKr90m to DKr121m, but after a DKr150m write-off on joint venture assets in India, there was a net loss of DKr8m against a profit of DKr36m in 1996.

Lead managers for the share issue are Aros Securities, investment banking arm of Unibank, and Dresdner Kleinwort Benson. **Hilary Barnes, Copenhagen**

BUSES

Ikarus privatisation finalised

The protracted privatisation of Ikarus, the Hungarian bus-maker, was finalised yesterday with management buy-out company MT-Liz taking a 54 per cent stake in the company from APV, the state privatisation company, for a nominal Ft10m. The new owners have undertaken to pay off almost Ft5bn ($24m) in debts to the state and ABN Amro Bank within 15 days and provide guarantees for another Ft2.25bn of longer term debts.

Ikarus has seen production slump from 14,000 buses a year in the mid-1980s to a nadir of 800 in 1996. Since then, under the management of Gábor Szèles, the company has begun to turn around, with 1,800 buses produced last year and a similar number expected this year, mostly for the former Soviet Union and other ex-socialist countries. In its latest deal, Ikarus has begun to supply 100 buses to the Slovak city of Bratislava financed by a DM22m ($12.2m) loan syndicated by BNP-Dresdner Bank. **Kester Eddy, Budapest**

COMPANIES & FINANCE: ASIA-PACIFIC

JAPAN RETAILERS REPORT CONTRASTING FULL-YEAR RESULTS

Software sales help 7-Eleven to record

By Bethan Hutton in Tokyo

7-Eleven Japan yesterday confirmed its position as the country's strongest convenience store operator by posting another record profit and raising its dividend.

Parent-company net profits grew 5.3 per cent to Y58.3bn ($451m), while pre-tax profits rose 6.6 per cent to Y112.1bn, on revenues up 8.9 per cent to Y277.2bn.

The dividend will be increased from Y38 to Y42.

7-Eleven said its performance was helped by strong sales of computer game software and fast-food items. A constant factor in the company's success is its sophisticated computer system, which allows it to respond quickly to changing customer needs.

Existing-store sales grew 1.9 per cent during the year, despite overall falls in consumer spending, but the company warned yesterday that economic uncertainty could lead to flat sales on an existing-store basis for the current year.

However, store openings will continue at an increased pace. The number of 7-Eleven stores in Japan grew by 439 during the year, with 450 new stores planned this year.

In contrast, 7-Eleven's original parent company, the Ito-Yokado supermarket chain, saw consolidated net profits fall 5.4 per cent to Y70.5bn in the year to the end of February.

Ito-Yokado's group pre-tax profits edged up 0.2 per cent to Y212.7bn, on revenues up 3.7 per cent at of Y3,129.6bn. At the parent-company level, net profits fell 4.2 per cent to Y41.3bn, while pretax profit rose 1 per cent to Y70.3bn.

Supermarket sales fell 2 per cent on a same-store basis, and the company said it expected zero sales growth this year.

Shares in 7-Eleven fell 0.6 per cent to Y8,880, in a market down 2.55 per cent.

Ito-Yokado was down 2.37 per cent to Y6,990.

● The offices of Lawson, Japan's second-largest convenience store chain, were yesterday raided by the Fair Trade Commission on suspicion of putting pressure on suppliers to provide it with free goods.

One analyst said business practices in the Japanese retail sector often involved rebates from suppliers to retailers, and that it could be difficult to draw a line between common practice and unfair pressure.

Mitsukoshi falls into red

By Bethan Hutton

Mitsukoshi, the upmarket Japanese department store operator, fell Y34.6bn ($268m) into the red in the year to the end of February.

The company said sales dropped 4.3 per cent, while pre-tax profits totalled Y4.44bn, down 59 per cent from a year earlier. An extraordinary loss of Y44.6bn pushed the company into a net loss of Y34.59bn, after a net profit of Y3.41bn the previous year.

The Y6 dividend will be maintained.

Mitsukoshi's problems stem from losses at a golf course development subsidiary and the collapse in consumer spending since an increase in consumption tax a year ago.

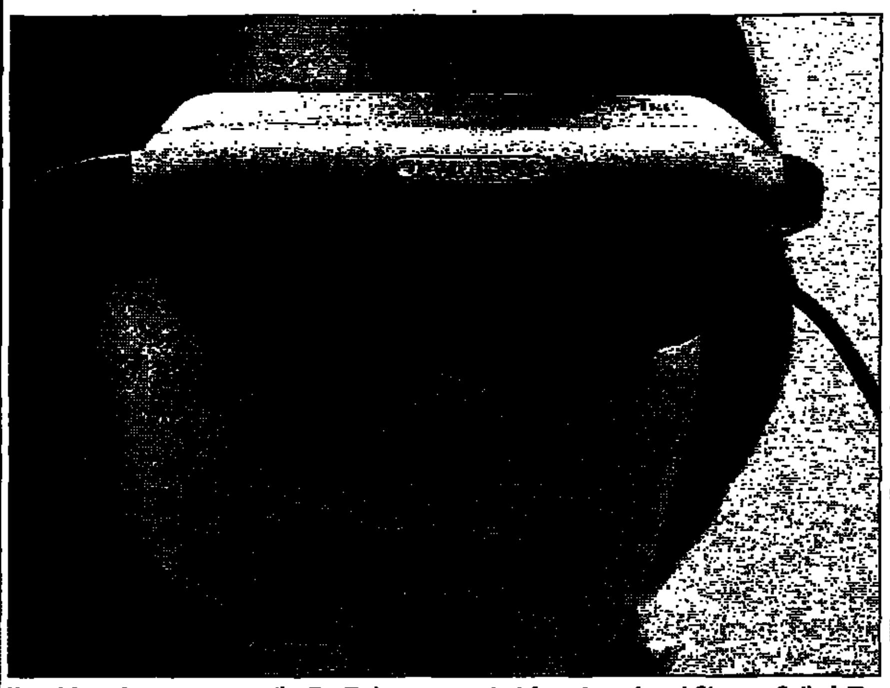
The results were in line with the company's revised profit forecast in March.

Poor half-year results led to the resignation of Yoshiaki Sakakura, Mitsukoshi's last chairman, in October.

Mitsukoshi said at the half-year stage that it would write off Y44.6bn of losses related to the golf course development, started in 1988, but it is continuing with the project in the hope of eventual profitability.

Toshiko Binder, retail analyst at HSBC Securities in Tokyo, said that Mitsubishi's problems in the core department store business were particularly acute because its main customers are older shoppers, who have been cutting their spending even more severely than the younger generation.

However, Mitsukoshi said it expected a return to profit during the current year. It predicted a pre-tax profit of Y7.3bn and a net profit of Y3bn for the period.



Yuko Watanabe demonstrates the Eye-Trek, a new product from Japan-based Olympus Optical. The device, with earphones attached, can be connected to a television, a VCR or a games machine to offer the visual impact of a 62-inch screen. The Eye-Trek goes on sale in June at a price of Y65,000 ($500) AP

ANZ cuts Asian exposure by 38%

By Mark Mulligan in Sydney

ANZ, the Australian banking group, yesterday revealed it had cut its exposure to Asia by 38 per cent to A$10.8bn (US$7bn) in the six months to the end of March.

The announcement, more than a month ahead of the bank's interim earnings statement, follows recent downgrades for the bank's outlook by the two main ratings agencies, because of its business in Asia.

Peter Marriott, chief financial officer, yesterday sought to assure investors that general provisioning – set for about A$500m this year against A$400m last time – would cover some non-performing loans, although he admitted that additional specific charges could be included in the half-yearly accounts.

"At this point in time we are not disclosing non-accrual loans or specific provisions because that's part of our May profit announcement," he said.

He stressed that the reduction in exposure to the region was entirely due to repayment of outstanding debt. "This is not a case of write-off. It's been customers meeting the obligations under their facilities and repaying – the exposures running down accordingly."

Earlier this year, Moody's Investors Service and Standard & Poor's, the credit rating agencies, downgraded the outlook for the bank from stable to negative. John McFarlane, chief executive, said at the time the downgrades were "unduly cautious", arguing that the bank had been "managing down our overall exposure to Asian-owned entities while preserving relationships with our major clients".

A breakdown of the bank's business in the troubled region shows that in South Korea, Indonesia and Thailand, exposure had been reduced 28 per cent to A$2.8bn. However, the bank was keeping a "wary eye" on Japan, Singapore, Hong Kong and Japan, where aggregate exposure dropped 43 per cent to A$7.11bn.

ANZ shares closed down 13.8 cents at A$11.742.

China tightens HK TV links

By Louise Lucas in Hong Kong

Asia World Television yesterday applied to the Hong Kong government for a change of ownership, fuelling speculation that Beijing-linked interests are set to take control of the smaller of Hong Kong's two terrestrial TV stations.

Lim Por-yen, the majority owner of ATV, told government radio that the company's new chairman would be Wong Po-yan, head of the Airport Authority. Mr Wong is considered close to Beijing and served on the Beijing-appointed Preparatory Committee, which oversaw the handover of Hong Kong.

The head of another TV company said the move highlighted China's desire to control the media in Hong Kong, despite its claims to the contrary. "If they want to control Hong Kong, they have to use local media," he said.

Mr Lim said the buyers were a US and Hong Kong consortium. Analysts believe the US party is led by an overseas Chinese, and that there may be a link with Phoenix, Rupert Murdoch's broadcasting joint venture in China.

"I think there's a big picture to this," said Kaushik Shridharani, media analyst at Salomon Brothers in Hong Kong. "The bigger issue is the possibility of somehow gaining access to the China TV market."

ATV is currently a poor second to TVB, which analysts estimate has an 80 per cent market share. Mr Lim has invested US$450m in the station since taking over as chairman 10 years ago, but did not produce a profit until 1996.

"It's a daunting prospect, having to challenge TVB when it's been dominant for 30 years and is strengthening its market share," said Mr Shridharani.

According to Mr Lim, the consortium will buy up half the existing shares, with the balance remaining with the current owners. In addition to Mr Lim's own holding, his flagship company Lai Sun holds 16.5 per cent; New World Group, a property developer, owns 27.5 per cent; and Stanley Ho, the Macau casino magnate, has the remaining 5 per cent.

MAS shares hit by revamp report

By Sheila McNulty in Kuala Lumpur

Shares in MAS, owner of Malaysia's national airline, fell more than 6 per cent yesterday after reports that the company was planning a complex restructuring to ease the debt burden of Tajudin Ramli, its executive chairman and controlling shareholder.

MAS declined to comment on the reports, which said Mr Tajudin would borrow against MAS aircraft to pay what is reported to be nearly M$800m (US$217m) in personal debts. This would be achieved through the formation of a company, MAS Capital, which would buy and refinance MAS aircraft.

MAS Capital would also purchase Mr Tajudin's shares in TRI, the telecommunications company, and Malaysian Helicopter Services, through which he controls MAS. Shares in MAS Capital would be issued free to MAS shareholders.

Dr Mahathir Mohamad, prime minister, said the government, which formerly owned the airline and holds a golden share with veto powers, would not stop Mr Tajudin from restructuring.

"As far as I can see, he has done nothing wrong," Dr Mahathir said. "Why should we bother about it?"

MAS shares closed down 20 cents at M$2.98, contributing to the 2.4 per cent plunge in the stock market's key Composite Index.

Analysts said the reported restructuring reminded them of one several months ago by Renong and UEM. Authorities granted those companies privileges, which analysts felt demonstrated the government's lack of commitment to institutional regulations and transparent corporate governance.

NEWS DIGEST

FINANCIAL SERVICES

Mayban-UBS launched in Malaysia

Mayban-UBS Asset Management was formally launched yesterday to offer specialised asset management services to institutional and retail investors in Malaysia.

The new company is a joint venture in which Maybank, the largest financial services group in Malaysia, holds 40 per cent equity; Union Bank of Switzerland, one of the world's largest asset managers, holds 35 per cent; and Aseambankers, the investment banking unit of Maybank, in which UBS holds a 5 per cent stake, holds 25 per cent. The new company has a total of M$700m (US$189m) under management.
Sheila McNulty, Kuala Lumpur

CONSTRUCTION

Ekran investor may sell stake

The controlling shareholder of Malaysia's Ekran is to sell some, if not all, of his personal stake in the timber and construction company, according to sources who have seen letters Ekran sent to the Kuala Lumpur Stock Exchange.

The move to restructure the distribution of Ekran's equity, of which Ting Pek Khiing controls 55.7 per cent, would make way for a new, substantial shareholder in the Ekran group, the company said in a statement to the exchange yesterday.

After the divestment, the letters suggest that the implementation and operation of the M$15bn (US$4bn) Bakun Hydro-electric dam project could be passed back to Ekran. Bakun was shelved late last year and the project was taken over by the Malaysian Ministry of Finance. **AP-DJ, Kuala Lumpur**

CARS

Hyundai widens retirement

Hyundai Motor, the South Korean carmaker, said it would allow all its employees to apply for early retirement to ease the strains of slowing domestic car demand. This is a step up from its earlier plan to allow only officials above management levels to volunteer for earlier retirement. **AP-DJ, Seoul**

ARTIFICIAL LEATHER

Asahi to double production

Asahi Chemical Industry of Japan plans to double production of artificial leather to meet increasing US and European demand for use in furniture and car seats. The company will spend Y3bn ($23m) on new production lines and lift output to 6m sq m per year by September 1999. **Nikkei, Tokyo**

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NEWS DIGEST

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MEDIA BUYING GROUP COULD BECOME A TARGET FOR PREDATORS AS VENTURE CAPITAL FUNDS AND GROSS FAMILY SELL STAKES

More than 30% of Aegis put up for sale

By Susanna Voyle

The shareholders who rode to the rescue of Aegis when it hit troubled times said yesterday they were selling their stakes, which make up more than 30 per cent of the media buying group.

The sale of the shares, which together with a stake being sold from France are worth £256m ($428m) at yesterday's price, could leave Aegis open to predators at a time when the industry is moving towards specialised media buying. "This could give somebody the chance to build a big stake," said one analyst.

However, Crispin Davis, chief executive, said the sale was unlikely to spark a hostile takeover and instead gave Aegis an opportunity to widen its shareholder base. "To make a hostile move would be ill-advised given that this is a people business in which client relations are very important and management support is crucial."

The 353.2m shares are being sold by Warburg Pincus, the US investment firm, Electra Private Equity Partners, and the Gross family of France, which acquired its shareholding when Aegis bought the Carat business in France in 1988.

Warburg Pincus has held its stake of 284.8m shares for more than nine years, while Electra has held its 63.4m for about five years. Both venture capital funds were involved in refinancings of the company in 1992 and 1993.

Analysts said the shares, held in funds which expire this year, could be expected to reach between 70p and 80p each. The placing is being handled by Cazenove and Hoare Govett.

They will be sold to institutional investors through a book-building process which is expected to close by the end of the month.

The price will be announced shortly after the closing date. The shares yesterday fell 7p to 72½p.

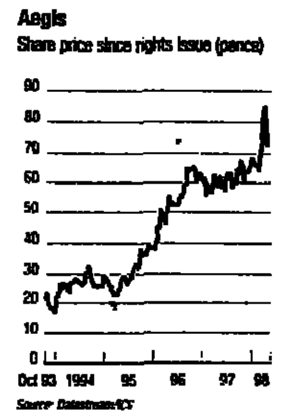
Aegis pools the buying of advertising space and time for its clients, achieving considerable buying power. It has an estimated market share of 12 per cent and has been expanding globally from its European base as more of its clients consider global strategies.

Aegis last month reported annual pre-tax profits up 10 per cent to £43.5m on turnover up 6 per cent to £3.65bn. Analysts are forecasting 1998 pre-tax profits of £49.5m and earnings per share of 3.6p.

COMMENT

Aegis

Consumers groan at the back-breaking size of their Sunday newspapers: their eyes glaze over at yet another cable cooking channel. The ponytails in the advertising world call it fragmentation of the media landscape. And guiding clients through it has become an international business in its own right. It has certainly restored the fortunes of media-buyer Aegis, a near-casualty of the advertising hubris of the last decade. Following yesterday's news, Aegis is even in danger of becoming a normal company again, with a broad shareholder base. Three investors who propped up the company in its restructuring five years ago, are selling their holdings: a whopping 353.2m shares, or 36.5 per cent of the equity. It is a testament to the turnaround at Aegis that the shares dropped by only 9 per cent.



That leaves them trading on 19 times 1998 earnings. This is in line with the market, which looks undemanding. Aegis has consolidated its position with a large slice of the European media buying business. And a buoyant advertising market has led to double digit earnings growth. There are risks. As multinationals hand over over their media buying needs to fewer agencies, they expect bigger discounts. But this is a company that has earned its restored reputation. At these levels, the shares are at a discount to many of its peers, such as CIA, WPP, and Omnicom, and look attractive.

Premier Farnell

The one big problem with departing chief executives is that they have to be replaced. Three months on, Premier Farnell still needs a firm hand on the tiller. There was little that was encouraging in yesterday's figures, even if the worst was already spelt out in graphic detail three months ago. The slowdown in US sales growth has apparently stabilised. But the double digit growth rate hoped for before the fateful Premier acquisition is a long off yet. Management actions, such as tightening the discounting policy on the US component catalogue, are sound. But with the US troubles hogging management attention, Premier Farnell is leaving the way wide open for its competitor, Electrocomponents, to steal ahead in continental Europe. Once installed in this lucrative market, Electrocomponents will be a fearsome rival indeed.

Arriva warns of downturn in car leasing

By Jonathan Ford

Shares in Arriva, the UK transport group formerly known as Cowie, fell by more than 7 per cent yesterday after the company issued a downbeat trading statement at its annual meeting, warning that profits at its car leasing division would be unlikely to match the levels achieved last year.

The group said that it was being hit by competition in the UK leasing market and operating profits at its leasing division were likely to be below last year's £57.6m ($96.2m).

Analysts had been expecting profits at the division, which accounts for about 40 per cent of the group total, to grow by about 5 per cent this year. They cut full-year forecasts by some 5 per cent to £105m. The shares fell 36½p to 475p.

Arriva's car leasing division has grown rapidly over the past three years. Contracts outstanding have increased from 65,000 to just under 80,000.

Most profit on contracts crystallises at the end of the lease period – typically three years. Arriva had been predicting an improvement in the business as the benefits of the growth in contracts outstanding started to come through.

Analysts said the warning came because the market for second hand cars in the UK had weakened unexpectedly. The residual value of cars returned from lease is an important element in the overall profit achieved over the life of the contract.

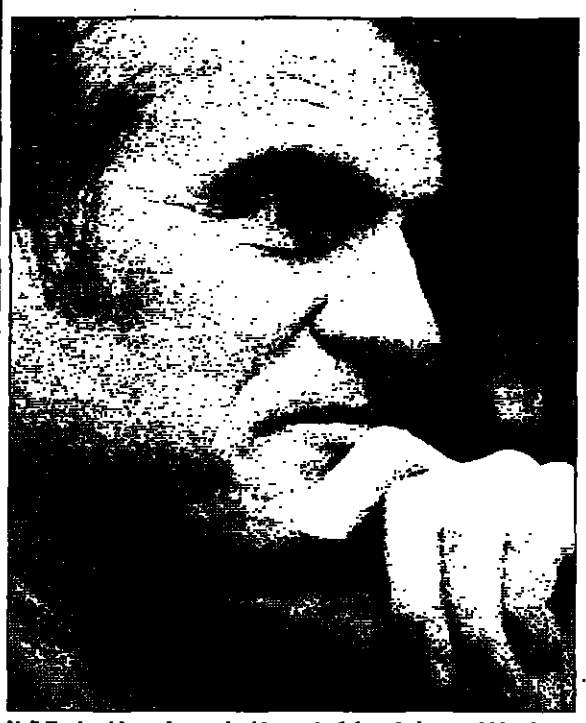
"Residual values have turned out to be rather lower than the company had expected," said one analyst.

The warning had a limited impact on other car leasing companies. Shares in Lex Service fell 6p to 576p, while Avis Europe lost 7p to 226½p.

Analysts said that Arriva had been singled out because the company had been more confident than its competitors about the outlook for the leasing business.

Arriva said that its other divisions were doing well. It said its bus division had made an "excellent start to the year", and that it was continuing to seek acquisitions. The motor division was also performing strongly.

Albert Fisher sinks into red



Neil England is no longer looking out of the window and blaming the weather Colin Beere

By Maggie Urry

Albert Fisher, the produce and seafood group which has been in turmoil since it received a tentative bid approach last summer, is maintaining its interim dividend at 1.85p in spite of a sharp decline in profits.

After exceptional costs of £35.5m ($60m), the group reported a pre-tax loss of £22.9m in the six months to the end of February, compared with a profit of £19.1m a year earlier.

Neil England, chief executive, said: "These are poor results." But he said there were underlying positive elements to build on. The group said second-half profits should "show recovery to a level closer to that reported for the second half of last year".

In that period profits before tax and exceptionals were £21.2m. Analysts cut their full-year profits estimates from about £35m to £31m-£32m (£41.5m), before exceptionals. That would leave the annual dividend of 3.75p uncovered by earnings. Mr England said the interim dividend of 1.85p had been maintained after a "big discussion" in the expectation the board would have a clearer view at the year end of whether to cut it.

Michael Landymore, analyst at Henderson Crosthwaite, said: "It would appear the board have yet to realise there are more ways to enhance shareholder value than stripping reserves to pay the dividend." Tim Potter, analyst at Merrill Lynch, predicted the group would cut its final dividend, of 1.9p, and next year's interim payment as well, to leave the annual rate at about 2.9p.

Analysts said the share price, which fell 1¼p to 28¼p, reflected market expectations of a dividend cut.

Profits were affected by losses in north America and the strength of sterling.

Telewest's £649m wins Gen Cable

By Cathy Newman

General Cable, the fifth biggest UK cable company, has accepted a £649m ($1.08bn) offer from Telewest Communications, the second biggest. General Cable shareholders will be offered 1.243 Telewest shares and 65p in cash for each share. The offer has been accepted by Générale des Eaux of France, General Cable's largest shareholder.

Stephen Davidson, chief executive of Telewest, is to leave the company with immediate effect. Analysts had expected Mr Davidson, who has spent five-and-a-half years with the company, to head the newly enlarged group. However, he will be temporarily replaced by David Van Valkenburg, Telewest chief operating officer, until a permanent replacement has been found.

Gary Ames, chairman of US West International, one of four North American groups sharing a 73 per cent controlling stake in Telewest, will chair the new group, which will cover about 5.8m homes.

Yesterday General Cable announced almost tripled pre-tax losses of £89m (£29.8m) in 1997 after refocusing its business on telephony.

The company was hampered by a £36.6m exceptional charge, following the decision last October to concentrate on telecommunications rather than television.

David Miller, finance director, said that, following the merger, the focus on telephony at the expense of television would change, but it was not yet clear how.

Oz docks fight may lift P&O

By Jonathan Ford

For most UK investors, the turmoil that has engulfed Australia's container ports this week may seem remote. But for shareholders in Peninsular & Oriental Steam Navigation, the international shipping group, the waterfront fight down under offers big potential benefits.

P&O is a leading investor in the Australian ports industry, controlling about 55 per cent of the local market for container shipping.

The group's Australian division, which holds its port interests, made profits of some £70m last year – about 12 per cent of the total.

Analysts estimate that the port interests alone may have contributed one-third of the Australian division's profits.

But P&O's container ports could potentially make a great deal more money.

Australia's docks industry is, by common admission, one of the last great havens of old-style closed shop trade unionism. Until now, the Maritime Union of Australia has controlled the waterfront.

The dispute centres on whether working practices should be reformed. Following recent changes to the country's labour laws, P&O's main competitor, Patrick Stevedores, tested the new laws by sacking its entire 1,400 unionised dockers.

The union is picketing the company's terminals while it seeks to establish whether the sackings were legal.

P&O is trying to change working practices in negotiation with its workers and has backed away from confrontation. Not only have its facilities remained open, but it has benefited by picking up cargoes which can no longer be landed at Patrick's facilities.

Both companies would welcome an end to the dominance of the MUA, which has resulted in overmanned ports and low productivity.

Analysts believe that reform of the Australian waterfront is inevitable and they are sharpening their pencils in the expectation of greater profits from P&O's Australian operations.

"It does now look inevitable that things will move in P&O's favour," said Peter Bergius, transport analyst at ABN Amro.

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Farnell fails to reassure the City

By Susanna Voyle

Premier Farnell yesterday failed to reassure a City audience hoping to hear that the worst was behind the electronic components distributor.

The group, which has issued two profit warnings, suffered analysts' downgrades and sacked its chief executive over the past two years, yesterday announced profits in line with its last warning. The shares fell 1p to 368p.

Pre-tax profits for the year to February 1 fell from £173m – including an exceptional profit of £43.3m – to £139m ($232m), on turnover down from £982.8m – including £354m from discontinued operations – to £743.6m. Operating profit was £151.2m against £149.7m.

Morton Mandel, deputy chairman and acting chief executive, said the search for a chief executive to replace Howard Poulson, who lost his job at the end of January, was "progressing very satisfactorily".

A choice from a shortlist made up mostly of people from the US and the UK should be made within two months. Mr Poulson resigned after a year in which the shares underperformed the market by 60 per cent.

Analysts said they did not learn much from the meeting. "People gave up asking questions because they just weren't answering them," said one. Let's hope they get a new chief executive soon, they desperately need one."

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Albert Fisher	6 mths to Feb 28 ☆	619.8	(669.6)	22.9L♠	(19.1)	3.63L	(1.97)	1.85	July 3	1.85	-	3.75
Caverdale	Yr to Dec 31	252	(246)	4.33♠	(5.4)	12.4†	(16.3)	2.2	July 1	2	4‡	3.6
Chepstow Racecourse	Yr to Dec 31	2.21	(2.02)	0.403♥	(0.276)	69.9	(48.5)	10	June 11	6	10	6
Donatantonio	Yr to Jan 31	10.24	(9.24)	1.74♥	(0.539♠)	8.8	(2.5)	1.65	-	-	2.25	-
General Cable	Yr to Dec 31	111.8	(55.7)	89L♠	(29.8L)	22.8L	(9.6L)	-	-	-	-	-
ILP ♣	Yr to Dec 31	14.8	(11.9)	0.688L	(1.08)	2.25L†	(6.3)	nil	-	1.46	nil	2.12
Intl Energy	Yr to Dec 31	81.7	(72.2)	7.35	(5.53)	10.68†	(8.26)	3.2♦	June 12	3♦	4.7♦	4.45♦
Jumbo Intl	Yr to Dec 31	0.346	(0.083)	0.341L	(0.768L)	5.85L	(14.33L)	-	-	-	-	-
Premier Farnell	Yr to Feb 1	743.6	(982.8)	139	(173♥)	25.3†	(36.5)	7.2	July 1	6.8	12.9	12
Seascope Shipping	Yr to Dec 31	8.91	(8.61)	3.06	(1.78)	37.85	(17.81)	3	May 29	-	3	-
Wace	Yr to Dec 31	268.9	(323.1)	76.4L♠	(2.04L)	100.1L	(8.4L)	nil	-	1.15	nil	3

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Murray VCT 2	58 wks to Feb 28	96.4	(95)	1.3	(-)	3.68	(-)	2.05	July 13	-	3.05	-
3i Smaller Quoted	Yr to Feb 28	204.7	(190.3)	2.71	(2.46)	4.88	(4.25)	2.92	June 23	2.86	3.88	3.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ♣Irish currency. ‡A special final dividend of 35p (nil) has also already been paid. ϕAim stock. ☆Comparatives restated. ♦Gross.

Attention turns to Bundesbank

GOVERNMENT BONDS

By Vincent Boland in London and John Labate in New York

Markets closed mixed yesterday ahead of today's meeting of the Bundesbank's council and still digesting the outcome of the Group of Seven industrial countries' meeting in Washington.

European markets closed generally unchanged in light trading amid continuing speculation that the Bundesbank might be tempted to raise its repo rate. But this was deemed unlikely by analysts, who pointed out that Hans Tietmeyer, Bundesbank president, would not be attending the meeting.

Activity in the cash markets was generally light, with a long Easter holiday still weighing on volumes, while futures markets were rangebound in fairly thin trading.

GERMAN BUNDS had moved smartly higher in early trading but by the close had given up almost all the gains after getting little support from a lacklustre opening in the US Treasury market. There is likely to be little change in sentiment today as investors watch the central bank meeting, but the consensus was that the repo rate would remain at 3.3 per cent until at least the next meeting.

Analysts noted that yields at the front end of the German bond market have been edging up in recent sessions, pricing in uncertainty on the interest rate front, raising the possibility that the Bundesbank would pre-empt further speculation by lifting the repo rate soon.

"Already the spread of two-year German yields over the repo rate has risen to 85 basis points from 48 points two months ago. It was around 100 basis points when the Bundesbank hiked last October," said David Brown, chief European economist at Bear Stearns. "Expectations are starting to move pretty quickly here."

The June bund future settled only 0.04 higher at 107.69, with less than 205,000 contracts traded in Frankfurt by late afternoon. Earlier the future had been as high as 107.81, but was stuck in a 19-point range all day.

Bunds nevertheless managed to outperform UK GILTS, which fell on a general lack of domestic news and some profit-taking ahead of the Bundesbank meeting. An economic survey from the British Chamber of Commerce showing manufacturing confidence at a very low ebb contained few surprises.

The June gilt future settled $\frac{1}{16}$ lower at $109\frac{5}{16}$ with 55,000 contracts traded on the Liffe floor. The spread over 10-year bunds widened 2 basis points to stand at 100 basis points by the close.

Other European markets were flat to modestly higher in quiet trading, taking their cue from the German market.

US TREASURIES made small gains in morning trade. By early afternoon the benchmark 30-year bond price had gained $\frac{1}{32}$ to $103\frac{13}{32}$, yielding 5.867 per cent. The 10-year note rose ¼ to $99\frac{21}{32}$, yielding 5.578 per cent, while two-year notes were $\frac{1}{32}$ higher at $99\frac{25}{32}$, yielding 5.515 per cent.

Among the day's economic reports, housing starts fell 2.8 per cent in March to 1.59m units. In a separate report initial unemployment insurance claims fell by 22,000 to 289,000 claimants for the week ending April 11. Treasury prices weakened on the new labour report, but recovered quickly.

Helping morning Treasuries was the stronger dollar on the day after the G-7 meeting. There was relief in the market that there was not an endorsement of a concerted effort to support the value of the yen. But some did not rule out more intervention in the future.

"In a way the G-7 is still endorsing the idea that the yen shouldn't depreciate too much," said Kevin Logan, senior market economist at Dresdner Kleinwort Benson. "But right now there's not been an announcement that there is a line in the sand as a target for the yen."

Turkey launches Isbank offering

By Vincent Boland

Turkey's on-off privatisation programme, which has been dogged by political uncertainty, was given a boost yesterday when the government launched the public sale of its 12.3 per cent stake in Turkiye Is Bankasi (Isbank), the country's main privately owned banking group.

The sale, the largest international equity offering from Turkey to date, is expected to raise about $500m and comes as the government is attempting to privatise Turk Telecom, the telecoms monopoly recently valued at up to $10bn.

The offering of Isbank shares is the biggest of several equity issues from Turkish banks expected this year. Earlier this month, a small stake in Akbank was sold by the Sabanci family, one of Turkey's leading business dynasties, for $140m.

Salomon Smith Barney is global co-ordinator and bookrunner for the international tranche of Isbank, and shares are also to be offered to the Turkish public. International investors can buy either ordinary class C shares, listed in Istanbul, or global depository receipts listed in London.

Local investors will be offered shares at a discount to the price international investors will have to pay, and they may be able to pay in instalments.

An international roadshow for the issue got under way yesterday. Pricing of the shares is expected to be announced in the week beginning May 4. If the government achieves the price it hopes to get for the stake, Isbank would have a market value of about $4bn.

NEWS DIGEST

EUROPE

Sweden leads way with dual-currency offering

Sweden yesterday became the first European sovereign to issue a euro-denominated bond with a parallel domestic currency bond. The National Debt Office said the deal would feature an E2bn 11-year benchmark bond, to raise the equivalent of SKr17bn. This would be followed by a SKr3bn government bond with identical characteristics, including the same maturity and coupon size.

The issue, which is led by J. P. Morgan, SBC Warburg Dillon Read and Banque Paribas, would make Sweden the second non-prospective European single currency member after Greece to issue a euro-denominated bond.

Erik Thedeen, head of funding at the Swedish National Debt Office, said the issue was a strategically important step, broadening the investor base available.

The parallel element would simplify comparisons between interest rates in kronor and those in the rest of Europe and give the option for conversion into euros if Sweden joins economic and monetary union at a later date.

Sweden's ruling Social Democratic government has adopted a wait-and-see stance towards membership of EMU. However, the debt office stressed it was in the country's interest to seek close links to the new currency area, regardless of whether Sweden joined.

The euro bond is likely to be launched next week and the krona bond will be auctioned on April 29. If successful, Sweden is likely to become a more active borrower in the euro market, Mr Thedeen added. **Greg McIvor, Stockholm**

US

IPOs off to slow start

New US listings, or initial public offerings, are off to an unusually slow start this year, down 15 per cent from last year's levels and at their lowest rate since 1995. This is in spite of the surging level of the stock market in recent months. Securities Data Company, the Newark-based research concern which tracks the IPO market, found that as of April 15 there were 129 new issues, down from 152 in the 1997 period.

The pullback is more dramatic if non-US companies, closed-end funds and real estate investment trusts are excluded. The number falls to 99 new issues since the beginning of the year, the worst performance since 1991.

"It's been dead as a doornail," said Richard Peterson, research director at SDC. "Everyone is hawking the fact that we have this great proliferation of IPOs, but since November the volume of new IPO deals has been erratic."

Recent rumours of brokerage takeovers may be adding to the sense of caution. Hambrecht & Quist, a leading technology underwriter, has been viewed as a takeover candidate in recent months as the financial services industry consolidates.

However, those IPOs that have come to market have performed well. IDC calculates that IPOs have risen 30 per cent on average since the start of the year, nearly twice the gain of the S&P 500. **John Labate, New York**

Telstra grabs attention with DM1bn debut

INTERNATIONAL BONDS

By Edward Luce

Telstra, the partly privatised Australian telecoms company, grabbed the limelight yesterday with a well-timed debut in D-Marks. The DM1bn offering – also the first by an Australian corporate in D-Marks – had already tightened by more than 1 basis point last night from its launch spread of 34 points over the 10-year bund.

An official at Deutsche Bank, joint lead with CSFB, said that more than 80 per cent went outside Germany. Much of the demand came from UK funds. But French and Dutch investors also bought heavily.

"French and Dutch funds are piling into D-Marks in advance of Emu," said the official. "The D-Mark sector is by far the most liquid in Europe as Emu approaches."

Officials said yesterday's issue was helped by the fact that 10-year corporate offerings are still rare in D-Marks.

The World Bank also enlivened a generally sleepy eurobond market yesterday with a $1bn three-year offering. The bond, priced to yield 12.5 basis points over Treasuries, is expected to prove popular with retail investors.

The World Bank was able to offer a more generous spread than on the secondary market spreads on its five-year eurobond because swap spreads have widened in the past week. The bond was lead managed by Lehman Brothers.

Crédit Local de France returned to the sterling market with a £200m five-year offering priced at a relatively generous spread of 40 basis points over five-year gilts.

An official at Lehman Brothers, lead manager, said about 75 per cent of the offering went to continental buyers.

Nafin, Mexico's domestic development bank, is to make a rare visit to the international bond markets today with a $150m five-year floater. It will be lead managed by HSBC Markets.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
World Bank	1.0bn	5.625	100.8775	Apr 2001	1.375	+12½(5yrUST)	Lehman Brothers
D-MARKS							
D'tsche Finance Netherlands	1.5bn	(a,s)	(a)	Jan 2009	0.325	+23-24bp(i)	Deutsche Bank
Telstra Corp	1bn	5.125	99.472	Apr 2008	0.325	+34(5¼Jan08)	Deutsche Bank
Irkutskenergo	125	12.50	99.75	Apr 2001	1.00	+825(6¾%-01)	SBCWDR Frankfurt
STERLING							
Credit Local de France	200	8.375	99.417	May 2003	0.250	+40(8%Jun03)	Lehman Brothers
YEN							
Landesgirokasse	20bn	1.3(s)#	100.10	Apr 2003	undiscl	-	Bayerische Hypo
LB Scleswigholstein	20bn	1.3(s)#	100.10	Apr 2003	undiscl	-	Bayerische Hypo
Norddeutsche LB	20bn	1.3(s)#	100.10	Apr 2003	undiscl	-	Bayerische Hypo
Bremer LB	20bn	1.3(s)#	110.10	Apr 2003	undiscl	-	Bayerische VB
Bayerische Hypo	12.5bn	1.3(s)#	110.10	Apr 2003	undiscl	-	Bayerische VB
Helaba Finance	18.8bn	1.3(s)#	110.10	Apr 2003	undiscl	-	Bayerische VB
Westfaelische Hypo	13.8bn	1.3(s)#	110.10	Apr 2003	undiscl	-	Bayerische VB
ITALIAN LIRE							
Creditop	100bn	(c)	100.725	May 2003	1.875	-	IMI Bank Luxemburg
ROUBLES							
EBRD(b)	300	31.00	99.85R	May 2000	0.35R	-	ING Barings

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced today. b) All payments in US$. c) Single coupon in May 03, min 16%. Linked to performance of comodities. i) Over interpolated yield. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Apr 16	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.9226	4.90	-0.02	+0.02	-0.12	-1.53
	10/07	10.000	132.0333	5.56	-0.01	+0.02	-0.19	-2.25
Austria	09/99	7.000	103.7900	4.16	-	+0.03	+0.15	+0.19
	07/07	5.625	104.9100	4.95	-	+0.02	+0.02	-0.91
Belgium	01/00	4.000	99.8800	4.19	+0.01	+0.07	+0.16	+0.52
	03/07	6.250	109.1900	4.95	-0.01	+0.02	+0.01	-0.99
Canada	09/99	4.750	99.6200	5.03	+0.10	+0.19	+0.10	+0.18
	06/07	7.250	113.9000	5.29	+0.04	+0.06	-0.07	-1.45
Denmark	12/99	6.000	102.4200	4.42	+0.01	+0.02	+0.26	+0.32
	11/07	7.000	114.2300	5.08	-	+0.02	-0.03	-1.46
Finland	01/99	11.000	105.0604	3.77	-	+0.02	+0.19	+0.01
	04/06	7.250	115.5914	4.85	-	+0.02	+0.04	-1.44
France	01/00	4.000	99.7355	4.14	-0.01	+0.05	+0.22	+0.47
	10/04	6.750	111.3800	4.88	-	+0.04	+0.08	-0.58
	10/07	5.500	104.5500	4.89	-	+0.02	+0.01	-0.82
	10/25	6.000	108.5400	5.38	-0.02	-	-0.04	-1.20
Germany	09/99	4.000	99.9500	4.02	-0.02	+0.05	+0.20	+0.42
	11/04	7.500	115.3900	4.71	-0.01	+0.03	+0.05	-0.66
	07/07	6.000	108.2300	4.87	-0.01	+0.02	+0.01	-0.87
	07/27	6.500	116.0200	5.40	-	+0.01	-0.03	-1.22
Ireland	04/99	6.250	101.2000	4.92	+0.09	+0.10	+0.51	-0.89
	08/06	8.000	119.6700	5.04	-0.01	+0.03	+0.03	-1.67
Italy	05/00	6.000	102.8100	4.55	-	+0.04	+0.06	-2.18
	05/02	6.250	105.5200	4.74	-	+0.03	+0.03	-2.27
	07/07	6.750	112.3800	5.05	-	+0.01	-0.09	-2.50
	11/26	7.250	124.5400	5.53	-0.02	-	-0.12	-2.37
Japan	03/00	6.400	111.0400	0.57	-	-0.04	-0.01	-0.11
	12/02	4.800	116.5700	1.14	+0.02	-0.11	-0.02	-0.43
	09/05	3.000	109.7500	1.80	+0.01	-0.13	+0.02	-0.55
	08/17	3.000	108.4400	2.45	-0.01	-0.13	+0.06	-0.44
Netherlands	11/99	7.500	104.0600	4.14	-0.01	+0.04	+0.23	+0.37
	02/07	5.750	106.3000	4.85	-	+0.02	+0.01	-0.89
New Zealand	02/00	6.500	97.8321	7.80	-0.11	-0.13	+0.34	-0.05
	11/06	8.000	107.3537	6.83	-0.06	-0.09	+0.03	-1.22
Norway	01/99	9.000	103.4070	4.40	-	+0.08	-0.05	-0.33
	01/07	6.750	110.2700	5.25	-0.02	+0.04	+0.02	-0.89
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

10 YEAR BENCHMARK SPREADS

[illegible]

EMERGING MARKET BONDS

[illegible]

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	104.14	104.12	+0.09	104.30	104.00	4,926	113,159
Sep	103.72	103.68	+0.09	103.72	103.72	2	171

LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

[illegible]

NOTIONAL GERMAN BOND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

[illegible]

NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

[illegible]

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible]

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

[illegible]

NOTIONAL UK GILT FUTURES (LIFFE) £50,000 32nds of 100%

[illegible]

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	103.82	103.76	-0.04	103.82	103.82	1	5,919

US CORPORATE BONDS

[illegible]

US INTEREST RATES

[illegible]

UK BONDS

FTSE Actuaries Govt. Securities

UK Indices

[illegible]

FT Fixed Interest Indices

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

INTERNATIONAL BONDS

Apr 16	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	105.8700	4.91	-0.02	+0.02	+0.11
Spain	01/07	5.750	AA	105.3900	4.97	-0.01	+0.02	+0.17
Philip Morris	03/04	5.375	A	101.8800	5.04	-0.01	+0.07	+0.45
Finland FRN	09/02	3.570	AA	100.6366	4.02	-	+0.14	-0.30
EURO FFR								
Austria	01/04	5.500	AAA	103.7600	4.73	-0.01	+0.11	+0.12
Abbey Nat	02/04	6.000	AA	105.8500	4.82	+0.01	+0.09	+0.21
Cred Foncier	02/04	9.125	A	120.4500	4.99	-0.01	+0.04	+0.38
SCIF FRN	12/01	3.625	AA-	99.8408	4.21	-0.01	+0.15	-0.03
EURO LIRA								
EIB	02/07	7.000	AAA	113.3500	5.08	-	-0.10	+0.09
Abbey Nat	02/02	6.800	AA	108.8000	4.81	-	-0.02	+0.16
Walt Disney	06/00	8.625	A	107.5100	4.87	+0.01	+0.02	+0.38
EIB FRN	03/01	5.356	AAA	100.1585	4.41	-	+0.04	-0.14
EURO £								
EIB	12/07	7.625	AAA	110.8817	6.09	+0.02	-0.12	+0.26
Dresdner Bk	12/07	7.750	AA-	108.0963	6.58	+0.02	-0.17	+0.75
British Gas	03/00	7.625	A+	101.1562	6.96	+0.05	-0.10	+0.32
Abbey Nat FRN	02/02	7.713	AA	99.9609	6.08	+0.03	-0.12	-0.16
EURO $								
EIB	04/07	7.250	AAA	108.7200	5.97	-0.04	+0.03	+0.39
ABN Amro	06/07	7.125	AA-	105.3789	6.34	-0.05	-0.01	+0.76
Quebec	01/07	7.000	A+	104.8564	6.27	-0.05	-0.04	+0.69
Citicorp FRN	02/04	5.734	A+	99.2321	5.89	-0.05	+0.15	+0.32
EURO C$								
Bayer L-Bk	08/04	9.500	AAA	119.8507	5.66	+0.04	-0.04	+0.22
Toronto	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bell Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutsche B FRN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EURO YEN								
World Bank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cred Foncier	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy FRN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

London closing. Standard & Poor's ratings. Yields: Local market standard/annualised basis. Source: Interactive Data/FT Information

CURRENCIES & MONEY

Yen weakens after G7's statement

MARKETS REPORT

By Richard Adams

The yen sank against the dollar yesterday, after the foreign exchange markets perceived little support for Japan coming from other members of the Group of Seven leading industrial economies.

Robert Rubin, the US Treasury secretary, yesterday declined to comment on the yen's weakness following the G7 statement, which fell short of supporting more than Japan's solo efforts to stimulate its economy and boost the yen.

The dollar rapidly gained over Y2 at the start of trading hours in New York to reach Y132, but was capped by fears that the Bank of Japan would again intervene to halt the dollar's rally as it did last week.

The dollar ended trading hours in London at Y131.8, a gain of Y2.5 compared with its closing level in London on Wednesday before the G7 meeting.

The dollar was also stronger against the D-Mark, after being hit on Wednesday from rumours that the Bundesbank was preparing to raise its repo rate at its delayed meeting today.

But decisions by the Bank of France and the Dutch central bank not to raise rates punctured the higher European rates story, along with the news that Hans Tietmeyer, the Bank's president, would stay in Washington and miss the German central bank meeting.

Bundesbank watchers said Mr Tietmeyer's absence made it much less likely that the bank would move on rates.

■ POUND IN NEW YORK

Apr 16	—Latest—	—Prev. close—
£ spot	1.6920	1.6855
1 mth	1.6895	1.6830
3 mth	1.6846	1.6782
1 yr	1.6684	1.6605

The stronger dollar – up by one pfennig in Europe to DM1.808 – helped sterling, which gained a additional three pfennigs by the end of London trading.

Dealers said that comments in Washington by Gordon Brown, the chancellor, helped the pound shrug off a survey by the British Chambers of Commerce showing export orders were at a seven-year low.

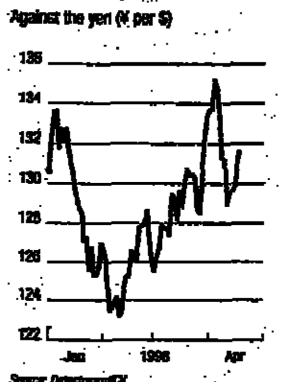
One London analyst said part of the rise was explained by technical factors, with a number of institutions having to unwind aggressive short positions against sterling, taken in the expectation of its continued decline.

The pound ended in London at DM3.059, having previously ended trading at DM3.028. It gained 0.7 against the dollar to $1.692. Against the yen the pound was also stronger, rising Y5 to Y223.

The D-Mark advanced against the yen in Europe by almost Y1, to Y72.91.

Dollar

Against the yen (¥ per $)



Source: Datastream/ICV

■ The G7 summit gave little comfort for yen bulls, with almost no change in stance since the group met in London in February. The threat of intervention or talking up the yen failed to appear as some had predicted.

The summit's statement put the onus on Japan, stating that the measures taken by Japan to help its domestic economy would also strengthen the yen.

Traders contented themselves with trying to pick the next likely dates for intervention by the Bank of Japan, with this weekend or April 24, the date of the announcement of the latest economic stimulus package, being the most likely.

Ken Landon, Deutsche Morgan Grenfell's currency analyst in Tokyo, reported that Japanese investors were aggressive dollar buyers yesterday. "Many investors here were sidelined over the past few days because of the risk of further intervention, which created a substantial amount of pent-up dollar demand in Tokyo," he said.

■ The decision by the Dutch central bank to leave its special advances rate unchanged at 3.30 per cent effectively put an end to hopes that Germany might increase interest rates.

Strong growth and the threat of a take-off in inflation in the Netherlands was seen as most likely to provoke the start of higher interest rates within the European Union's single currency zone.

■ Jacques Chirac, the French president, yesterday supported France's candidate for president of the European Central Bank, Jean-Claude Trichet. But more importantly, Mr Chirac also said: "I hope there will be a decision, not before, but in time for May 2. It's not obligatory but it would be psychologically preferable."

■ OTHER CURRENCIES

Apr 16	£	$
Czech Rp	56.8730 - 57.0643	33.6720 - 33.7100
Hungary	357.046 - 357.282	211.020 - 211.080
Iran	5078.40 - 5076.00	3000.00 - 3000.00
Kuwait	0.5164 - 0.5168	0.3052 - 0.3053
Peru	4.7762 - 4.7838	2.8240 - 2.8260
Poland	5.7486 - 5.7568	3.3975 - 3.4025
Russia	10.3806 - 10.3880	6.1418 - 6.1425
U.A.E.	6.2145 - 6.2177	3.6729 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

EMS EUROPEAN CURRENCY UNIT RATES

UK INTEREST RATES

LONDON MONEY RATES

BASE LENDING RATES

COMMODITIES & AGRICULTURE

Aluminium groups differ over production levels

By Kenneth Gooding, Mining Correspondent

Two of the world's big aluminium producers yesterday were at odds about whether the time was right to restart production capacity shut down in 1994 following a flood of exports to the west from Russia.

Reynolds Metals of the US, the third biggest producer, said it would restart its remaining 130,000 tonnes of capacity at smelters in New York and Oregon during the third quarter of 1998 so that they would be at full capacity by the year-end.

Alcan, the Canadian group ranked second, said it was surprised by Reynolds' decision, particularly by the US group's move to restart 41,000 tonnes of capacity at the Massena smelter in New York.

Jacques Bougie, Alcan chief executive, insisted his company would reactivate its 130,000 tonnes of idled capacity only when London Metal Exchange stocks were falling substantially, when there was strong, sustainable demand for the metal and when LME prices reflected the industry's supply-demand fundamentals.

"Today the downward trend in stocks is good, not excellent. The short and medium-term demand outlook is good, not excellent, but the price does not reflect the industry's fundamentals," he insisted during a media telephone conference.

However, Jerry Sheehan, Reynolds chairman, suggested in a statement accompanying the group's first-quarter results: "The outlook is for continued strong demand in the aluminium market. We expect consumption growth of 2.5 per cent to 4 per cent for the next several years."

This was in line with Alcan's own forecasts before the Asian financial crisis.

Roger Scott-Taggart, Alcan's director of industry analysis, said his group had been expecting average annual demand growth of 3.5 per cent. However, at this stage there were too many unanswered questions about Asia's future recovery, particularly about Japan's economy, to say if this long-term forecast should be changed.

Nevertheless, Alcan had reduced its forecast for 1998 aluminium demand growth to 1 per cent because of Asia. Strong demand in Europe and North and South America was more than compensating for the downturn in Asia.

Mr Scott-Taggart pointed out that western world aluminium shipments increased by about 6 per cent last year, well ahead of production, so stocks were reduced by 384,000 tonnes. Another 100,000 tonnes had been drawn from stocks so far this year.

"This is not a market in surplus," he insisted. Yet the average LME aluminium price – US$1,457 a tonne last night – had fallen by 9 per cent.

Mr Bougie said the industry had 700,000 tonnes of capacity waiting to be restarted (including that owned by Reynolds) and a further 700,000 tonnes of new capacity planned for 1998-99.

Alcan believed its US$1.6bn Alma smelter, which will add 300,000 tonnes, or 20 per cent, to its net capacity, would be needed by the time it came into production late in 2000.

Alma would need a price of only US$1,400 a tonne to cover its cost of capital.

Australia's Wheat Board gets in shape

By Mark Mulligan in Sydney

The Australian Wheat Board is in upheaval as the country's monopoly grains exporter closes offices and cuts staff in its most dramatic reorganisation since deregulation of the industry began more than 10 years ago.

But once the dust has settled, the AWB, according to managing director Murray Rogers, will be "leaner and meaner" and better equipped to adapt to fluctuations in the global marketplace.

Although not a big wheat producer compared with the US and Canada, Australia as an exporter ranks about fourth in the world in a good year.

The wheat board's restructuring, which involves cutting about 120 jobs from a workforce of 400, is designed to deliver savings of about A$11.5m (US$7.5m) a year – about 20 per cent – to the AWB's future new owners, the wheat growers themselves.

Under ground-breaking legislation now being finalised, the AWB will cease to be a statutory body in July next year and convert to a commercial enterprise.

The country's 40,000 grain growers will become holders of A class shares, giving them both equity in the new-look AWB and enough voting rights to control the board.

B class shares, to be held by the wider wheat industry community, will carry fewer rights and be tradeable once the AWB floats on the Australian stock market, probably in 2000.

According to Jock Kreitals, deputy director of the Grains Council of Australia, the moves mean Australian wheat farmers will always have first say in where their crops are headed and how they are marketed.

The AWB's new structure represents the final stage of a modernisation process begun in the 1980s, when the domestic market was heavily regulated and grain exports were of the same grade – fair and average quality – while the US and Canada offered a range of classes targeted at specific markets.

"We had very little idea of where our wheat went, what it was used for and how it rated with our competition... nor did we have any idea of what wheat we should be growing," said Trevor Flugge, AWB chairman. "There is now an Australian brand of wheat for virtually every wheat flour use."

That diversification, coupled with a focused marketing campaign, has helped Australia secure important trading partners such as Japan, which buys most of the high-grade Durum wheat – used in noodles – from the country.

In the domestic market, which accounts for about 5m tonnes of the 15m-20m tonnes produced annually, the AWB will continue to be just another player in a fully deregulated marketplace where growers can sell to co-operatives, wholesalers, trading companies or direct to mills.

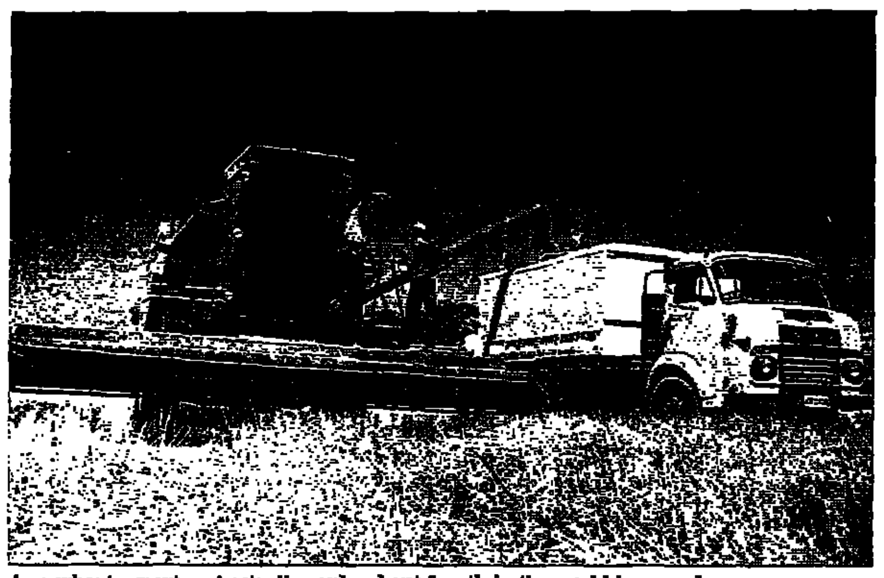
As an exporter, the board will remain the only conduit for foreign sales, but more money will be spent on marketing and branding and less on administration.

The AWB's five state offices will be closed and replaced with trimmer regional offices in Perth, Melbourne and Sydney. Five new regional acquisition offices will be established in the main wheat-growing areas.

A key feature of the staff reorganisation is a nationally co-ordinated buying and selling team. "The long and the short of it is that we are putting in place a company that will be more competitive," said Mr Kreitals.

"With soft commodity prices, the Asian slowdown and the effects of El Niño weighing on farmers' minds, extracting a premium from importers is crucial to survival.

"We've always managed to get premiums out of the market because of the single desk [export monopoly] structure," he said. "If there are lots of sellers, the price will eventually settle near the lowest of the bunch."



As a wheat exporter, Australia ranks about fourth in the world in a good year

Pulp industry bullish on prices

By Greg McIvor in Stockholm

Wood pulp prices have bottomed and are likely to increase from $550 a tonne to $600 a tonne following a sharper than expected fall in inventories in March, according to producers and industry analysts.

Prices of pulp, the key ingredient of paper, fell sharply at the end of last year and have remained under pressure because of a rise in excess stocks and concern over the effect of the Asian financial crisis on the industry.

Market rates for Northern Bleached Softwood Kraft, the industry benchmark, tumbled from $610 a tonne in December to below $500 early this year, but have moved up to about $550 after the announcement this week of a reduction in North American and Scandinavian pulp stocks.

Analysts praised producers for curbing output from January to force inventories down, while a feared influx of cheap short-fibre pulp to Europe from crisis-hit Asian producers had been lower than expected.

The fall in Norscan stocks from 1.81m tonnes to just above 1.5m tonnes prompted Sweden's Södra – Europe's leading producer of market pulp – to predict a rise in prices to $600 a tonne by June. Other leading European producers have been more bullish, forecasting an increase to $600 in May.

Analysts, however, see pulp prices rising to $600 by the end of the year, a view reflected on Pulpex, the London-based pulp futures market, where the September contract is trading at $580 a tonne.

"$600 by December is a more reasonable assumption," said Christian Georges, paper and metals analyst at Credit Lyonnais Securities Europe.

Hakan Ostling of Goldman Sachs predicted an increase to $560-$570 in the second quarter and a further rise towards $600 by the end of the year. He warned that considerable scope existed for setbacks, particularly if manufacturers attempted to take advantage of improved prices by raising output.

Indications are that companies are prepared to curtail production. Georgia-Pacific, the US group, said yesterday that demand remained below its full operating capacity level and measures to avoid inventory build-up would remain in place.

Copper investors 'caught in squeeze'

MARKETS REPORT

By Kenneth Gooding and Paul Solman

Investment funds that took the view copper prices would continue to fall and sold short – sold metal they did not own in the expectation of buying at a lower price – were caught in a "squeeze" on the London Metal Exchange, traders suggested yesterday.

Unexpected problems in moving physical copper made the market tight. This is evidenced in the premiums demanded for immediate delivery on the LME – yesterday it was $3 a tonne compared with metal for delivery in three months.

Larry Kaplan at Flemings Global Mining Group said rumours suggested the "squeezers" wanted to push the three-month copper price to $1,900 a tonne, at which level the funds would scramble for cover. "If they do, a further spike appears likely. But beware. The medium-term fundamentals in our view do not support a sustained rally in copper."

On the bullion market, palladium closed in London at $307 a troy ounce, down $4.50 in spite of further confusing reports from Russia, which has failed to export any this year.

Valery Goncharov at the Russian precious metals reserve, Gokhran, said it could be "several more weeks or months" before platinum and palladium exports started.

World oil prices rose as the market considered the prospect of renewed tensions between Iraq and the United Nations. On London's International Petroleum Exchange, the bellwether June contract for Brent crude was $14.65 a barrel in late trading against Wednesday's close of $13.48.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1419.5-20.5	1448.5-49
Previous	1437.5-38.5	[illegible]
[illegible]	[illegible]	[illegible]

■ ALUMINIUM ALLOY ($ per tonne) [illegible]

■ LEAD ($ per tonne) [illegible]

■ NICKEL ($ per tonne) [illegible]

■ TIN ($ per tonne) [illegible]

■ ZINC, special high grade ($ per tonne) [illegible]

■ COPPER, grade A ($ per tonne) [illegible]

■ LME AM Official £/$ rate [illegible]

■ HIGH GRADE COPPER (COMEX) [illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET [illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	308.0	+0.9	308.5	306.8	43	413
Jun	309.8	+0.8	310.5	307.4	23,014	100.5k
Aug	312.0	+0.8	312.7	309.5	185	8,091
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) [illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) [illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels; $/barrel) [illegible]

■ CRUDE OIL IPE ($/barrel) [illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls) [illegible]

■ GAS OIL IPE ($/tonne) [illegible]

■ NATURAL GAS IPE [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls) [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	73.70	-0.30	74.10	73.50	89	1,497
Jul	75.70	-0.30	76.10	75.70	118	1,850
Sep	74.50	-0.50	-	-	-	143
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

■ BARLEY LIFFE (100 tonnes; £ per tonne) [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]

■ POTATOES LIFFE (20 tonnes; £ per tonne) [illegible]

■ FREIGHT (BIFFEX) LIFFE ($10/index point) [illegible]

PULP AND PAPER

■ PULPEX CNLX (US$; 24 air dry tons) [illegible]

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	996	-4	1001	989	817	28,308
Jul	1016	-3	1021	1005	4,124	21,097
Sep	1040	-3	1043	1031	1,296	21,727
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) [illegible]

■ COCOA (ICCO) (SDR's/tonne) [illegible]

■ COFFEE LIFFE (5 tonnes; $/tonne) [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

■ COFFEE (ICO) (US cents/pound) [illegible]

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) [illegible]

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

Wool from Mallett & Co
New Zealand: wool sold at slightly dearer prices this week, the only auction test of the world market. Recent weakness in the NZ dollar made some increase necessary even to keep up with the currency factor, and the same will apply in Australia next week when sales resume after the Easter recess. World demand remains low. Supplies are falling as farmers opt for alternative products. A waterfront strike has emerged as a threat in Australia.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Apr 16	Apr 15	month ago	year ago
1651.6	1659.6	1681.7	1948.0

■ CRB Futures (Base: 1967 = 100)

Apr 15	Apr 14	month ago	year ago
226.14	225.24	-	-

■ GSCI Spot (Base: 1970 = 100)

Apr 15	Apr 14	month ago	year ago
165.87	165.87	158.50	190.58

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+1,425	to	628,625
Aluminium alloy	-20	to	40,200
Copper	-5,450	to	309,600
Lead	+725	to	107,250
Nickel	+576	to	65,226
Zinc	-725	to	467,150
Tin	+60	to	7,380

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	66.975	-0.125	67.150	66.450	4,171	5,664
Jun	68.125	+0.300	68.225	67.525	9,453	43,167
Aug	69.000	+0.175	69.050	68.550	2,414	19,410
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LEAN HOGS CME (40,000lbs; cents/lbs) [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs) [illegible]

LONDON TRADED OPTIONS

[illegible]

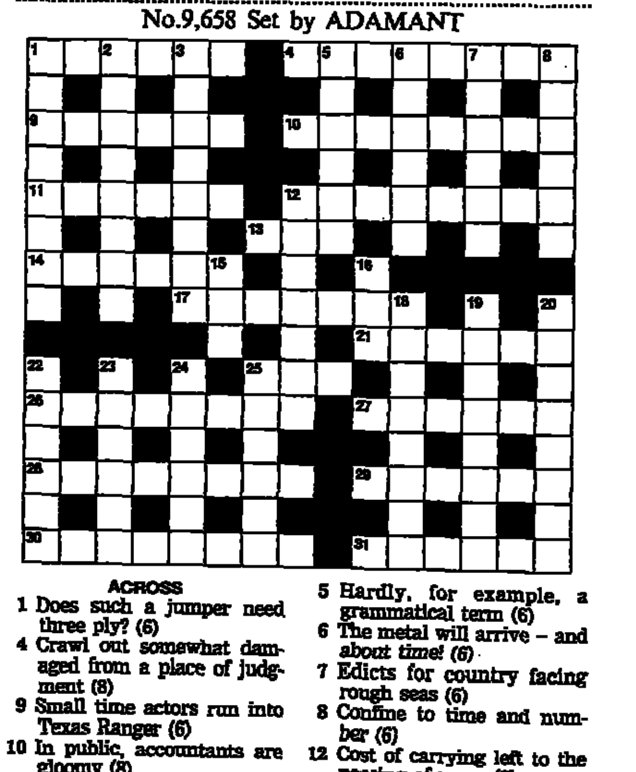
LONDON SPOT MARKETS

[illegible]

JOTTER PAD

CROSSWORD

No.9,658 Set by ADAMANT



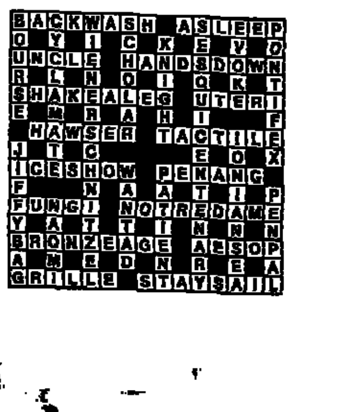
ACROSS

1 Does such a jumper need three ply? (6)
4 Crawl out somewhat damaged from a place of judgment (8)
9 Small time actors run into Texas Ranger (6)
10 In public, accountants are gloomy (8)
11 Songster's complaint (6)
12 Prime mix-up before the first performance (8)
15 Pocket the shipping instructions (3)
14 Waste ages in relaxing (6)
17 Sailor in good preservation (7)
21 Hurry back and stand around the holding (6)
25 The first person in the Gospel according to St Mark (3)
26 The university title, MA (Engineering) was most important (8)
27 Faces their growth? (6)
28 Officers with terrible stain on their headgear (8)
29 Steps up (6)
30 They do not believe in being caught in rotten society (8)
31 Group of four providing note on old style jazz (6)

DOWN

1 Article on variable rates for hospital buildings (8)
2 Benefit from a hobby (8)
3 Get the wind up about one boy's affairs (8)
5 Hardly, for example, a grammatical term (6)
6 The metal will arrive – and about time! (6)
7 Edicts for country facing rough seas (6)
8 Confine to time and number (6)
12 Cost of carrying left to the passing of years (7)
15 Censor the joke (3)
16 I lost the first man, a good worker (3)
18 Cause the green revolution gobbled up (8)
19 Escort, not in the additional clause (8)
20 Made out certain input could be calculated (8)
22 Waits, it's said, for the wild cats (6)
23 It holds together a leading commodity (6)
24 The effect of one legislator on a bill (6)
25 Racial hint exposed in the City (6)

Solution 9,657



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Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

AIB Fund Management Ltd

Aberdeen Prolific International Fund Plc

Henderson Crosthwaite Investment Co

Lazard Investment Funds Ltd

Bank of Ireland Unit Managers Ltd - Contd.

Barclays Global Investors Ireland Ltd

Baring International Fd Mgrs (Ireland) Ltd

Herald Investment Fund Plc

Invesco Asset Management (Ireland) Ltd

Sellem Investment Mngt (Ireland) Ltd

Singer & Friedlander Closed Funds Plc

Skandia Select Fund Plc

Societe Generale Group

Super Phoenix Fund

Trainer Wortham & Company Inc

Perpetual Fund Management - Contd.

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Royal Bank of Scotland International Ltd

JERSEY (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

IRELAND (REGULATED)(**)

JERSEY (FSA RECOGNISED)

LUXEMBOURG (FSA RECOGNISED)

Copper investors 'caught in squeeze'

MARKETS REPORT

By Kenneth Gooding and Paul Solman

ROSSWORD

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ABN AMRO Funds - Contd.

Aberdeen Fund Mngrs (Luxembourg) Ltd (a)

American Phoenix Investment Portfolios (a)

BAII Asset Management Ltd

Fleming Group (a)

Foreign & Colonial Emerging Markets Ltd (a)

Foreign & Colonial Portfolios Fd Sicav (a)

Mercury Asset Management - Contd.

Morgan Stanley Sicav

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management

Swiss Bank Corporation

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

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Offshore Insurances and Other Funds

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Old Mutual International - Contd.

Old Mutual International (Isle of Man) Ltd

Victory Hse, Prospect Hill, Douglas, IoM 01624 625593

Parthenon life société anonyme

7, Rue de la Chapelle L-1325 Lux 00 352 456730

Premier Life

1 Rue Emile Bian, Luxembourg Tlx 2898 Tel 4650751

The Americas Trust Bank

Apex Bank & Trust Company

Aravis Capital Advisors LLC

Arc Investment Company Ltd

Ardent Investment Management Limited

Arisaig Partners (BVI) Ltd

Aristocrat Capital Management Ltd

Armfield-Benson Investment Mgmt Inc

Arnhold and S. Bleichroeder, Inc

Asia Pacific Securities Corp Ltd

Asian Convertibles & Income Fd (Cayman)

Atlantico Investment Ltd

Credit Suisse Asset Mgmt Funds

Credit Agricole/INDOCAM

Crosby Asset Management

Crystal Corporation N.V.

Crystal Fund Managers (Bermuda) Ltd

Garantia Banking Ltd

India Investment AG

MFFC Overseas Limited

Oriental Development Company Ltd

Secura Management (DSS) Limited

GAM Select

JF Capital Guaranteed Master Series

Only available during special offer periods *

Prices as at April 15

Global Asset Management - Contd.

Jupiter Asset Management (Asia) Ltd

Jupiter Asset Mngt (Bermuda) Ltd

KD Offshore Fund, C.V.

OTHER OFFSHORE FUNDS

AXA Asset Management

● MANAGED FUNDS NOTES

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or −	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, RETAIL

	Notes	Price	+ or −	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Continued

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Continued

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Continued

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AIM - Continued

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

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LONDON STOCK EXCHANGE

Equity market comes under increasing pressure

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

London shares fell for the third consecutive session – and for the fifth out of the past six trading days – as the stock market continued to register its unease over the direction of UK interest rates and sterling.

Adding to London's discomfort was a bout of worryingly severe weakness across many of the Asian markets, where Tokyo fell 2.5 per cent, Hong Kong 1.6 per cent, Seoul 3 per cent and Thailand 2.2 per cent, and a sharp decline in the Dow Jones Industrial Average as Wall Street began trading.

But the real downside pressure in the leaders came from a big sell-off in the bank sector which was hammered by sellers after a bearish report on Lloyds TSB in yesterday's Financial Times and also by a profits downgrade instigated by influential brokers.

Dealers staffing London's trading desks were alarmed to see the FTSE 100 index post a three-figure fall and lose the hard-won 6,000 level for much of the afternoon before rallying just before the close to finish 72.1 down at 6,002.0.

The index was always under pressure, with Wall Street's dismal opening triggering a welter of selling pressure in mid-afternoon, which saw the index slide more than 109 points at its worst in mid-afternoon.

Senior traders were by no means reassured by London's late rally, however, pointing out that what began a couple of days ago as small pockets of profit-taking had started to develop into genuine selling by those institutions that have been running full weightings in the UK for some time.

"It's common knowledge that the big four UK fund management groups have been underweight for some time, but there are plenty that have been running with the tide and they have been selling into the most recent surge," said one market maker.

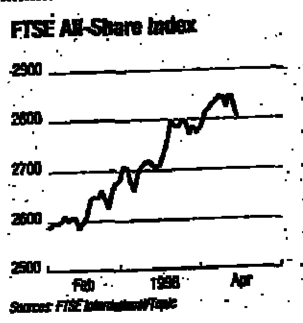
Others insisted that the heavy falls across the market owed more to a general markdown. "The buyers have pulled out of the market and the feeling is that they won't reappear until we get a clearer picture of the outlook for interest rates," another dealer said. Volume figures tended to back up that assertion with turnover only reaching 763.8m shares at the 6pm cut-off, well below recent levels.

The other FTSE indices were similarly hit, with the FTSE 250, which held up well during the morning and early afternoon, finally succumbing to the flurries of selling pressure and finishing the day 9.2 off at 5,536.8. The FTSE SmallCap, which was never really under pressure during the morning period, looked increasingly vulnerable during the afternoon and settled at a session low of 2,630.3, down 6.2.

Bank stocks supplied eight of Footsie's worst nine performers with Lloyds TSB attracting big selling from the institutions as the press pinpointed the exceptional performance of the shares this year, which has seen the stock price climb about 17 per cent.

Lloyds alone accounted for more than 20 FTSE points on the downside and was accompanied by HSBC, Schroders and Standard Chartered among the poor performers.

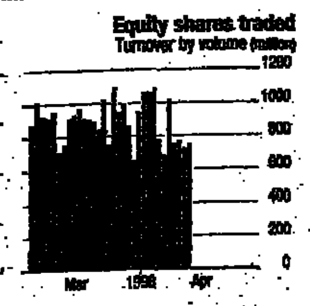
FTSE All-Share Index



Source: FTSE International/Teple

Equity shares traded

Turnover by volume (million)



Indices and ratios

FTSE 100	6002.0	−72.1	FT 30	3816.9	−23.4
FTSE 250	5536.8	−9.2	FTSE Non-Fins p/e	2779.43	+22.68
FTSE 350	2880.7	−29.0	FTSE 100 Fut Jun	6028.0	−100.0
FTSE All-Share	2807.68	−26.96	10 yr Gilt yield	5.83	5.81
FTSE All-Share yield	2.77	2.75	Long gilt/equity yld ratio	2.10	2.12

Best performing sectors		Worst performing sectors	
1 Extractive Inds	+2.6	1 Alcoholic Beverages	−3.4
2 Tobacco	+1.5	2 Banks: Retail	−3.3
3 Engineering: Vehicles	+1.0	3 Pharmaceuticals	−2.9
4 Leisure & Hotels	+0.7	4 Consumer Goods	−2.0
5 Construction	+0.7	5 Insurance	−1.0

Bears get claws in banks

COMPANIES REPORT

By Peter John and Joel Kibazo

After lumbering around in the backwoods, the banking bears had their day yesterday. They got their claws into Lloyds TSB which was single-handedly responsible for taking more than 20 points off the FTSE 100 index at one stage.

And they took chunks out of the rest of the leaders. HSBC, Standard Chartered and National Westminster were among the most badly-hit Footsie stocks. They were jointly responsible for taking a further 30 points off the index.

Lloyds received a double hit as comment in the financial press highlighted the stretched valuation for the bank and SBC Warburg Dillon Read turned cautious.

Warburg cut its 1998 forecast from £3.647bn to £3.597bn and for 1999 from £4.013bn to £3.823bn. The broker moved its stance to "hold" from "buy" on the stock.

The shares, which had been trading at an all-time high earlier in the week, were down 77 at worst and ended the day 68 lower at 995p. Meanwhile, HSBC fell 95 to £17.87 and Standard Chartered 35 to £10.04.

The rationale was slightly different among the big mortgage lenders. They have not benefited from the recent US consolidation. But they have been driven sharply higher since demutualisation as big institutions have struggled to build an appropriate weighting. Woolwich fell 8½ to 363p and Halifax 17 to 871p.

RioTinto, one of the world's biggest mining companies, was boosted 28 to 832p after Dresdner Kleinwort Benson advised clients to "buy".

The stock has also been lifted by strong rises in the price of copper, which reached $1,880 a tonne, a jump of about $100.

News that General Electric Company and French group Alcatel-Alsthom are planning to draw a £770m special dividend from their joint venture GEC-Alsthom before its flotation later this year did little to attract investors to the stock.

The shares gave up 5 to 452p, with 4.2m having been dealt by the close.

Dealers suggested there was concern among some brokers that the company is unlikely to meet the current profits forecast for the year to March 1999 of about £1.15bn. One analyst, who declined to be named, said: "Given the strength of sterling and the weakness of the Asian market, which accounts for about 15 per cent of group sales, current year profit estimates may be a little too high."

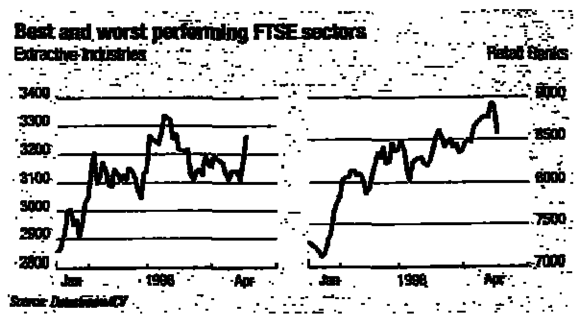
Shares in engineering group GKN moved sharply ahead, up 32 to £16.35, after announcing it was entering exclusive talks with Italy's Finmeccanica to set up an alliance of their helicopter divisions early next year. The new business will combine GKN's Westland unit and Finmeccanica's Agusta, to create one of the world's biggest helicopter manufacturers. Its aggregate order book is estimated at $8.5bn.

GKN was also said to have denied recent reports that it was back in talks with Vickers to sell its armoured vehicles business. Vickers shares eased a penny to 234½p in volume of 3m.

Sentiment in GKN was enhanced by reports of stronger-than-expected European car sales in March. The company remains a significant supplier of components to Europe's automotive industry.

Best and worst performing FTSE sectors

Extractive Industries / Retail Banks



Source: Datastream/ICV

The same sentiment helped underpin the day's trading in Lucas-Varity. The shares edged forward to close at 266p.

Pharmaceuticals were under pressure again partly in the wake of quarterly figures from Merck.

Zeneca fell 77 to £25.75 as old takeover hopes were punctured by comments from Roche of Switzerland that it had no acquisition plans. Roche has historically been seen as the most likely suitor for the company.

SmithKline Beecham, which failed to inspire brokers on Tuesday with the first of its two research and development presentations, was unable to recoup its losses when it presented in London yesterday. The shares, which have been weak all week, slid a further 24 to 725p with some additional pressure from potentially bearish trades in options. Finally, Glaxo Wellcome dropped 49 to £16.73.

Aegis drops

Aegis, the media group, dropped 7 to 72½p after announcing a placing of 353.2m shares by Cazenove on behalf of Warburg Pincus, the venture capitalist, Electra Private Equity Partners and members of the Gross family, the original owners. The placing was 42.5 per cent of the shares.

First Leisure Corporation was the best performing stock in the FTSE 250 – the shares jumping 30 or nearly 9 per cent to 367p – after it confirmed speculation that it had received a number of unsolicited approaches from parties wishing to buy its resorts division.

The company said: "The board has decided to consider these approaches." But it indicated that discussions were at an early stage, with no firm offers yet received.

In telecoms, shares in General Cable, the UK's second largest cable company, improved 8 to 165p after it agreed to a £649m bid from Telewest Communications, the country's second largest cable company. The bid, announced after Wednesday's market close, followed an announcement on March 29 that the two companies were in merger talks. Telewest shares ended the day 3½ lighter at 85½.

Among mobile operators, strong demand for Orange helped it resist the market trend. The shares rose 14 to 417p in trade of 6.2m.

BOC, the gases group, jumped 20 to 945p with dealers seeing 900p as a psychological trampoline. Shares in the company, which generates a third of its profits from Asia, fell sharply when problems in the region emerged. They fell again in February when the group announced first-quarter figures sharply below analysts' expectations.

A NatWest Markets recommendation helped boost Highland Distilleries, the shares hardening 1¼ to 290¼p.

The broker believes the rating on Highland's shares is backward looking, reflecting the disappointments of the recent past, the high cost of its corporate deals and fears over the links with Remy Cointreau.

In the rest of the sector, there was keen selling of spirits giant Diageo which left the shares 30¼ down at 703½p. Volume was 6.3m.

FT 30 INDEX

	Apr 16	Apr 15	Apr 14	Apr 9	Apr 8	Yr ago	*High	*Low
FT 30	3816.9	3840.3	3846.0	3855.7	3824.4	2834.1	3872.4	3796.1
Ord. div. yield	2.87	2.85	2.84	2.84	2.86	3.92	4.22	2.83
P/E ratio net	24.70	24.88	24.97	24.99	24.77	16.94	25.06	15.80
P/E ratio nil	24.48	24.66	24.75	24.77	24.55	16.76	24.84	15.71

FT 30 since compilation: high 3857.0 06/04/98; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3840.4	3836.1	3833.1	3833.2	3830.3	3826.0	3826.5	3803.9	3802.7	3841.6	3796.1

STOCK MARKET TRADING DATA

	Apr 16	Apr 15	Apr 14	Apr 9	Apr 8	Yr ago
SEAQ bargains	63,686	66,942	72,424	65,118	67,376	40,049
Equity turnover (£m)†	-	2977.8	2856.8	3314.7	4468.4	1734.7
Equity bargains†	-	57,452	57,869	55,501	63,089	37,090
Shares traded (m)†	-	777.3	711.8	863.0	997.4	491.2
Total market bargains‡	-	na	69,116	68,143	78,801	na
Total turnover (£m)‡	-	na	3974.5	5031.9	6188.8	na
Total shs traded (m)‡	na	na	943.3	‡1181.1	‡1304.6	na
Tradepoint turnover (£m)	33.3	33.4	24.6	23.1	38.9	2.7
Tradepoint shs traded	5,868	6,338	3,688	7,305	7,171	878

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	553	Total Highs	150	Total contracts	53,946
Total Falls	1,016	Total Lows	40	Calls	25,484
Same	1,434			Puts	28,462

Apr 16 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	6180.0	6128.0	-32.0	6203.0	6123.0	18354	149849
Sep		6206.5	-32.0			0	7811
Dec		6301.0	-32.0			0	4

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		5587.0	+2.0			0	8513

FTSE 100 INDEX OPTION (LIFFE) (*5982) £10 per full index point

	5800 C	5800 P	5850 C	5850 P	5900 C	5900 P	5950 C	5950 P	6000 C	6000 P	6050 C	6050 P	6100 C	6100 P	6150 C	6150 P
Apr	186	1	140½	2½	86½	5½	46	15½	17½	40	5	77	1	124	½	174
May	294	80	255½	102½	220½	120	180	141	158½	161	129½	185½	107	215½	86	245½
Jun	379	150	345½	167½	316	185½	282½	208	261	226	221	247	195	274½	175½	304½
Jul	435½	185½	405½	205	276½	224½	348½	244	315½	264½	286½	285½	257½	308½	236	338
Dec†	698½	307			626	344			563½	383			500	424½		

Calls 3,566 Puts 4,234

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	5825		5875		5925		5975		6025		6075		6125		6175	
Apr	152½	1½	108	4	61½	10½	27½	26½	8½	57½	1½	100½		149		199
May	266½	93½	233	110	200½	126½	178	146½	142	168	117	192½	95	220	77½	252½
Jun	363	162½	328	176½	296	194	264½	212	234½	231½	208½	255	183½	279½	161	306½
Sep	528	252½			464	285½			403	322			346½	364½		
Dec†	662	302½			599	335½			541	372½			485	412½		

Calls 15,766 Puts 11,686 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	–	100	97½	Aberdeen CanSlide C	99½		–	–	–	–
*100	F.P.	35.7	102	100	Advent 2 VCT	102		–	–	–	–
–	F.P.	–	12	4	Barlo 01/03 Wts	4½		–	–	–	–
–	F.P.	504.5	188½	169	Express Dairies	169	-6½	LN6.0	1.5	5.8	13.9
§255	F.P.	240.1	496½	409	Guardian IT	489	-4	–	–	–	–
–	F.P.	4.30	3¼	2½	†Hartford	3		–	–	–	–
–	F.P.	18.9	103	99½	INVESCO Gbl Opps	102	+½	–	–	–	–
–	F.P.	13.3	100½	99	Do Zero Div Pf	100¼	-½	–	–	–	–
–	F.P.	20.1	108½	103	Do 8.5% Cnv 2005	108½		Q8½%	–	7.8	–
§50	P.P.	3.25	52½	52½	Microcap Growth Tst	52½		–	–	–	–
100	F.P.	39.0	97½	97½	Murray VCT 3	97½		–	–	–	–
–	F.P.	40.7	210½	153	Oakley's	203½		L2.5	8.2	1.5	13.2
–	F.P.	105.8	295	280	Oxford Glyco	286½		–	–	–	–
§25	F.P.	6.03	120½	77	†Peel Hotels	120½		–	–	–	–
*	F.P.	18.0	92½	90	Quester VCT 2	90		L2.4	–	3.3	–
–	F.P.	7.01	110	65½	†Salestore	69½		–	–	–	–
–	F.P.	–	34½	34½	Transport Dev B	34½		–	–	–	–
§60	F.P.	9.50	57½	47½	VI	47½		–	–	–	–

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998 High	1998 Low	Stock	Closing price p	+or-
280	Nil	17/4	25pm	4½pm	Cap & Reg Props	4½pm	-½
20	Nil	12/5	5pm	5pm	Memory Corp	5pm	
10	Nil	17/4	7½pm	3½pm	Oxford Biomedica	4½pm	
40	Nil	7/5	10½pm	9½pm	Radstone Tech	9½pm	

pm premium.

FTSE GOLD MINES INDEX

	Apr 15	% chg on day	Apr 14	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1223.87	+0.0	1223.57	1538.16	1.99	–	1610.93	881.23
Regional Indices								
Africa (14)	1247.48	−1.1	1261.10	1860.44	4.36	27.48	1864.25	921.78
Australasia (7)	1480.88	+0.2	1478.46	1819.26	2.27	20.31	1880.66	933.83
North America (11)	1185.71	+0.4	1190.56	1413.59	1.02	44.71	1574.16	884.86

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Apr 16	Day's chge%	Apr 15	Apr 14	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	6002.0	−1.2	6074.1	6104.1	4298.9	2.72	2.30	2.07	22.14	51.68	2614.57
FTSE 250	5536.8	−0.2	5546.0	5541.8	4524.9	2.95	2.48	2.07	20.46	41.54	2362.83
FTSE 250 ex IT	5578.9	−0.1	5583.8	5579.5	4567.4	3.03	2.56	2.14	19.30	42.78	2389.52
FTSE 350	2880.7	−1.0	2909.7	2921.0	2117.7	2.76	2.34	2.07	21.81	24.20	2563.68
FTSE 350 ex IT	2885.5	−1.0	2914.7	2926.3	–	2.78	2.35	2.09	21.57	24.44	1317.16
FTSE 350 Higher Yield	2826.8	−0.8	2850.4	2852.7	2054.4	3.72	3.18	1.96	17.12	28.40	2145.75
FTSE 350 Lower Yield	2946.3	−1.1	2979.8	2998.3	2186.6	2.04	1.70	2.23	27.52	20.63	2134.22
FTSE SmallCap	2630.34	−0.2	2636.46	2636.28	2296.38	2.89	2.34	1.56	27.75	16.48	2277.12
FTSE SmallCap ex IT	2623.06	−0.1	2626.31	2627.10	2312.16	3.09	2.50	1.62	25.01	16.61	2292.92
FTSE All-Share	2807.68	−1.0	2834.64	2844.98	2089.10	2.77	2.34	2.04	22.10	23.21	2535.72
FTSE All-Share ex IT	2814.94	−1.0	2842.13	2852.89	–	2.79	2.36	2.06	21.73	23.51	1307.92

FTSE Actuaries Industry Sectors

	Apr 16	Day's chge%	Apr 15	Apr 14	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(22)	4677.58	+0.2	4670.40	4664.16	3981.47	3.21	2.78	1.85	21.07	29.11	2131.49
12 Extractive Industries(5)	3263.74	+2.6	3180.55	3110.61	4037.68	4.16	3.85	2.10	14.32	72.61	1028.78
15 Oil, Integrated(4)	5206.66	−0.2	5216.34	5224.37	4080.53	3.20	2.74	1.80	21.70	19.43	2435.69
16 Oil Exploration & Prod(13)	3140.34	+0.2	3132.72	3124.90	3474.75	1.84	1.52	1.92	35.41	29.18	1949.30
20 GEN INDUSTRIALS(221)	2221.69	+0.2	2216.71	2207.56	1974.10	3.36	2.94	2.19	17.02	22.42	1300.62
21 Construction(38)	1627.63	+0.7	1616.32	1607.93	1350.26	2.98	2.42	2.51	16.72	12.40	1445.61
22 Building Matls & Merchs(27)	1841.89	−0.6	1852.15	1847.33	1875.76	4.05	3.45	2.02	15.28	21.96	938.78
23 Chemicals(24)	2888.17	+0.5	2874.08	2886.43	2238.36	3.25	3.03	1.84	20.97	30.36	1473.12
24 Diversified Industrials(10)	1448.49	+0.2	1444.04	1437.88	1457.19	3.93	3.67	2.18	14.58	17.93	887.29
25 Electronic & Elect Equip(26)	2485.95	−1.0	2510.29	2447.20	2173.79	3.47	2.81	1.62	22.21	18.13	1368.19
26 Engineering(62)	2995.06	+0.6	2978.36	2981.78	2564.52	3.15	2.81	2.40	16.50	32.11	1927.75
27 Engineering, Vehicles(10)	4180.86	+1.0	4141.03	4099.17	2795.73	2.13	1.95	3.31	17.75	27.83	2296.66
28 Paper, Pckg & Printing(24)	2239.59	+0.4	2231.26	2219.58	2459.22	4.58	3.84	2.19	12.48	27.24	1007.26
30 CONSUMER GOODS(92)	5710.38	−2.0	5825.22	5815.48	4203.12	2.52	2.29	1.82	27.21	59.10	2253.64
32 Alcoholic Beverages(6)	3997.35	−3.4	4136.68	4111.45	2910.91	2.91	2.88	1.85	23.19	55.09	1561.57
33 Food Producers(25)	4031.48	−0.7	4058.41	4044.82	2860.72	2.88	2.29	1.90	24.38	23.58	1942.12
34 Household Goods & Txtls(24)	3616.27	−0.3	3627.39	3641.26	2850.48	3.09	2.70	2.22	18.59	38.12	1520.95
36 Health Care(14)	2331.85	−0.4	2340.57	2336.79	2234.15	2.15	1.94	2.30	25.24	9.49	1481.51
37 Pharmaceuticals(20)	9544.01	−2.9	9828.38	10132.07	6809.33	1.92	1.70	1.70	38.25	85.22	3409.89
38 Tobacco(3)	4898.56	+1.5	4829.02	4859.82	4497.54	5.11	4.83	1.78	13.74	121.61	1312.70
40 SERVICES(278)	3437.25	+0.1	3435.00	3446.79	2808.93	2.46	2.00	2.00	25.37	16.80	1882.37
41 Distributors(28)	2886.70	−0.4	2899.05	2895.58	2724.12	3.29	2.72	1.99	19.11	26.68	1130.33
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79 Property(48)	2373.87	−0.3	2380.83	2375.47	1807.28	2.73	2.26	1.45	31.53	10.17	1548.99
80 INVESTMENT TRUSTS(117)	3940.14	−0.8	3970.51	3966.24	3228.80	2.00	1.82	1.18	52.66	21.10	1431.28
89 FTSE All-Share(802)	2807.68	−1.0	2834.64	2844.98	2089.10	2.77	2.34	2.04	22.10	23.21	2535.72
105 FTSE All-Share ex IT(748)	2814.94	−1.0	2842.13	2852.89	–	2.79	2.36	2.06	21.73	23.51	1307.92
Information Technology	1450.23	+0.6	1441.07	1459.49	–	0.59	0.48	3.30	63.73	2.27	1452.72
FTSE Fledgling	1408.49	−0.1	1410.00	1417.94	1306.06	3.10	2.51	1.43	28.15	8.84	1553.22
FTSE Fledgling ex IT	1425.28	—	1425.36	1428.39	1331.34	3.47	2.82	1.48	24.32	9.80	1577.23
FTSE AIM	1086.3	—	1088.1	1083.3	–	1.15	0.91	0.57	80.00†	2.92	984.32

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	-	6048.8	6028.2	6029.0	6018.3	6006.2	6008.4	5982.5	5978.7	6069.7	5964.4
FTSE 250	-	5550.1	5546.8	5547.9	5552.3	5552.4	5547.1	5543.9	5536.1	5553.2	5535.8
FTSE 350	-	2900.5	2891.8	2892.3	2888.9	2883.8	2884.1	2873.7	2871.5	2906.3	2865.5
FTSE SmallCap	2634.43	2635.04	2634.31	2634.15	2634.09	2634.16	2633.86	2632.77	2630.77	2635.12	2630.34
FTSE All-Share	–	2826.17	2818.15	2818.65	2815.47	2810.81	2811.09	2801.47	2799.31	2833.19	2794.85

Time of FTSE 100 Day's high: 8:33:00 Day's low: 16:22:00. FTSE 100 1997 High: 6105.8 (06/04/98) Low: 5088.7 (12/01/98)

Time of FTSE All-Share Day's high: 8:33:00 Day's low: 15:23:00. FTSE All-Share 1997 High: 2847.10 (06/04/98) Low: 2389.32 (12/01/98)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. Deletions: London & Metropolitan (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	1,600	602	+2
Amvescap	508	739	+6
ASDA Group	5,400	219	−2½
Abbey National	4,400	1203	+2
Alliance & Leicester	786	886	−15
Allied Domecq	2,200	630	−4
Assoc. Brit. Foods	1,600	537	−13
[illegible]	[illegible]	[illegible]	[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 16 / Sch)

		+/-	High	Low	Yld	P/E
AusAir	388	+.08	400	183	1.3	6.0
ATabak	749	+5	770	517	–	–
BWT	2,690	–	2,829	1,581	1.0	32.5
BioAust	935	+14	935	561	1.1	19.9
BBAuPf	930	+5	930	384.07	1.3	–
BUAG	910	+5	1,095	628	2.9	10.1
BrauUn	789	–15	811	585	2.9	15.0
EA Gen	4,180	+70	4,590	2,700	0.4	35.6
EVN	1,944	+4	1,965	1,207	1.3	18.7
ErstBk	820xr	–4.90	829	671.50	2.0	–
JenBac	514	+4	519	294	3.9	16.3
Lenzing	878	+38	945	600	–	–
Leykam	298	+2	355	209	–	–
Mayr-M	901.20	–8.80	932	570.28	1.9	24.4
OMV	1,630	–10.50	1,949	1,254	1.7	21.0
Oest E	791	–11	860	565	2.0	8.0
OeEMA	1,552	+10	1,620	838.10	1.0	39.7
RadexH	595	–10	627.50	412	2.7	12.2
SteyrD	368	+5	494	245	1.6	–
Univ E	412.10	–22.40	488	404	1.8	73.9
VA Tec	1,905	–10.50	2,735	1,619	1.6	22.7
VolAir	590.40	+4.90	625	461	1.4	20.8
VA Stl	518	–8.50	583.40	420	2.3	10.2
WSHPf	1,424	+29.50	1,620	950	2.1	–
Wienbg	2,849	–16.50	2,768	2,097	1.6	29.6

BELGIUM/LUXEMBOURG (Apr 16 / Frs.)

CZECH REP (Apr 16 / Koruna)

DENMARK (Apr 16 / Kr)

FINLAND (Apr 16 / Mkka)

FRANCE (Apr 16 / Frs.)

GERMANY (Apr 16 / Dm.)

GREECE (Apr 16 / Drachma)

ITALY (Apr 16 / Lira)

NORWAY (Apr 16 / Kroner)

POLAND (Apr 16 / Zloty)

PORTUGAL (Apr 16 / Escudo)

SPAIN (Apr 16 / Pts.)

NETHERLANDS (Apr 16 / Fls.)

SWEDEN (Apr 16 / Kronor)

SWITZERLAND (Apr 16 / Frs.)

TURKEY (Apr 16 / TL Lira)

PACIFIC

JAPAN (Apr 16 / Yen)

AUSTRALIA (Apr 16 / AustS)

HONG KONG (Apr 16 / H.K.$)

INDONESIA (Apr 16 / Rupiah)

MALAYSIA (Apr 16 / MYR)

NEW ZEALAND (Apr 16 / NZ $)

SINGAPORE (Apr 16 / S$)

SOUTH KOREA (Apr 16 / Won)

TAIWAN (Apr 16 / TW $)

THAILAND (Apr 16 / Baht)

AFRICA

SOUTH AFRICA (Apr 16 / Rand)

AMERICAS

CANADA

TORONTO (Apr 16 / Can $)

4 pm close

MONTREAL (Apr 16 / Can $)

4 pm close

MEXICO (Apr 16 / Peso)

12.30pm

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY APRIL 15 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY APRIL 14 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (73)	218.31	1.5	192.10	178.47	203.96	223.40	1.1	3.48	215.06	189.23	175.95	201.66	220.91	243.87	190.26	214.93
Austria (23)	224.73	0.2	197.74	183.72	209.95	209.79	–0.1	1.56	224.17	197.25	183.40	210.21	210.06	225.19	175.14	175.14
Belgium (28)	328.60	0.6	289.14	268.63	306.99	300.64	0.2	2.41	326.67	287.44	267.26	306.32	300.00	328.60	229.19	229.19
Brazil (30)	268.78	–0.2	236.51	219.73	251.11	584.21	–0.2	1.82	269.34	236.99	220.36	252.56	585.18	322.44	184.94	239.40
Canada (120)	247.80	0.2	218.04	202.58	231.50	258.08	0.6	1.55	247.18	217.50	202.23	231.79	256.58	247.80	180.99	180.99
Denmark (34)	521.75	0.0	459.09	426.53	487.43	486.33	–0.4	1.24	521.81	459.15	426.91	489.31	488.16	521.81	348.27	348.27
Finland (28)	417.62	3.3	367.47	341.41	390.16	478.14	2.9	1.89	404.46	355.89	330.90	379.27	464.90	417.62	243.25	243.90
France (79)	305.13	0.7	268.49	249.45	285.07	288.43	0.3	2.03	303.13	266.73	248.01	284.25	287.51	305.13	209.81	216.05
Germany (58)	290.24	0.2	255.38	237.27	271.15	271.15	–0.1	1.21	289.57	254.79	236.91	271.53	271.53	290.24	194.88	194.68
Hong Kong, China (66)	340.31	–0.5	299.44	278.20	317.93	338.59	–0.5	4.66	341.93	300.87	279.75	320.63	340.20	580.03	262.93	446.91
Indonesia (27)	60.72	–2.4	53.43	49.64	56.73	290.56	–0.5	2.32	62.22	54.75	50.91	58.35	292.00	254.90	27.67	223.74
Ireland (16)	544.86	2.1	479.43	445.43	509.03	547.31	1.8	1.77	533.60	469.52	436.56	500.37	537.81	544.86	325.22	325.22
Italy (54)	177.07	2.3	155.81	144.76	165.42	235.29	2.1	1.05	173.11	152.32	141.63	162.32	230.51	177.15	85.70	88.18
Japan (480)	100.05	–0.1	88.04	81.79	93.47	81.79	–0.1	0.97	100.10	88.08	81.90	93.87	81.90	141.12	86.52	109.21
Malaysia (107)	193.16	–2.7	169.97	157.91	180.46	274.89	–2.7	2.51	198.54	174.70	162.43	186.17	282.54	555.79	113.56	534.46
Mexico (29)	1666.34	0.7	1466.23	1362.25	1556.76	15437.61	0.4	1.49	1655.54	1456.72	1354.46	1552.43	15372.08	1901.98	1335.40	1369.36
Netherlands (19)	507.01	0.5	446.12	414.49	473.67	468.30	0.1	1.97	504.32	443.76	412.61	472.91	467.59	507.01	335.23	338.51
New Zealand (14)	73.78	–0.6	64.92	60.32	68.93	71.07	–1.0	4.59	74.25	65.34	60.75	69.63	71.76	98.47	71.49	83.89
Norway (36)	342.89	0.2	301.71	280.31	320.34	348.63	0.2	1.79	342.22	301.12	279.98	320.91	348.05	374.64	281.62	298.23
Philippines (22)	101.19	–0.5	89.04	82.73	94.54	191.88	–0.7	1.07	101.69	89.48	83.20	95.36	193.21	180.86	57.54	179.22
Singapore (42)	218.70	–1.6	192.44	178.79	204.32	161.05	–1.3	1.89	222.38	195.67	181.94	208.53	163.20	401.75	144.01	378.86
South Africa (43)	339.25	2.9	298.51	277.34	316.93	373.08	2.9	2.38	329.69	290.10	269.73	309.16	362.57	368.52	227.66	355.56
Spain (32)	390.42	–1.0	343.53	319.17	364.74	451.25	–1.5	1.64	394.52	347.14	322.77	369.95	458.03	396.69	215.65	215.65
Sweden (49)	610.62	1.5	537.47	499.35	570.65	701.17	1.2	1.67	601.74	529.48	492.31	564.25	692.79	610.62	405.00	422.51
Switzerland (31)	405.09	–0.3	356.44	331.16	378.45	374.45	–0.4	1.04	406.53	357.71	332.60	381.21	375.96	406.53	254.89	255.53
Thailand (39)	28.00	–0.1	24.64	22.89	26.16	43.36	0.0	6.92	28.04	24.67	22.94	26.29	43.36	84.77	13.10	84.41
United Kingdom (209)	400.12	–0.4	352.07	327.10	373.81	352.07	–0.4	2.78	401.84	353.58	328.76	376.81	353.58	401.84	277.89	278.06
USA (637)	458.03	0.4	403.03	374.44	427.91	458.03	0.4	1.40	456.34	401.54	373.35	427.92	456.34	458.37	306.33	306.33
Americas (816)	415.39	0.4	365.51	339.59	388.07	350.91	0.4	1.41	413.90	364.19	338.63	388.12	349.60	415.39	280.38	280.38
Europe (696)	363.50	0.2	319.85	297.16	339.59	342.16	0.0	1.97	362.72	319.16	296.76	340.13	342.08	368.50	240.99	240.99
Nordic (149)	529.37	1.4	465.79	432.76	494.55	534.89	1.1	1.85	521.61	459.15	426.91	488.31	526.84	529.37	365.77	362.24
Pacific Basin (870)	110.63	–0.1	97.35	90.44	103.36	91.49	–0.1	1.51	110.70	97.40	90.57	103.80	91.62	168.99	95.32	128.17
Euro-Pacific (1566)	216.03	0.1	190.09	176.61	201.82	185.85	0.0	1.86	215.74	189.84	176.51	202.31	185.91	218.03	172.08	175.19
North America (757)	444.68	0.4	391.28	363.53	415.43	444.62	0.4	1.40	443.06	389.88	362.49	415.47	442.94	444.77	298.63	298.63
Europe Ex. UK (487)	333.98	0.6	293.87	273.03	312.02	326.97	0.3	1.53	332.13	292.25	271.73	311.45	326.13	333.98	215.80	215.80
Pacific Ex. Japan (390)	205.85	–0.1	181.13	168.29	192.31	205.63	–0.2	3.76	206.01	181.27	168.54	193.18	206.19	318.98	161.31	287.01
World Ex. US (1788)	220.17	0.2	193.73	179.98	205.69	193.64	0.0	1.85	219.78	193.39	179.81	206.09	193.55	220.17	175.30	178.62
World Ex. UK (2216)	287.02	0.4	252.55	234.64	268.14	261.66	0.3	1.48	285.98	251.64	233.97	268.17	260.91	287.02	213.67	213.67
World Ex. Japan (1945)	394.38	0.3	347.02	322.41	368.45	366.87	0.2	1.69	393.15	345.94	321.66	368.67	365.91	394.38	275.21	275.21
The World Index (2425)	296.57	0.3	260.95	242.45	277.06	269.84	0.2	1.62	295.76	260.24	241.97	277.33	269.26	298.57	219.13	219.13

Emerging markets: IFC investable indices

NEW YORK STOCK EXCHANGE PRICES

4 pm close April 16

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
- A -										
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
- B -										
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- C -										
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- D -										
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- E -										
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- F -										
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- G -										
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- H -										
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- N -										
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- O -										
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- P - Q -										
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- S -										
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- T -										
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- U -										
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- V -										
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- W -										
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- X - Y - Z -										
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Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.
d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Apr 15	Apr 14	Apr 13	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9162.27	9110.20	9012.30	9162.27 (15/4)	7580.42 (9/1)	9162.27 (15/4/98)	41.22 (8/7/32)
Home Bonds	105.25	105.27	105.23	105.48 (15/1)	104.82 (28/1)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3861.90	3590.08	3558.53	3861.90 (15/4)	3194.36 (9/1)	3861.90 (15/4/98)	13.23 (8/7/32)
Utilities	287.89	287.83	284.90	291.18 (2/4)	262.66 (9/1)	291.18 (2/4/98)	16.53 (8/7/32)

DJ Ind. Day's high 9240.85 (9177.90) Low 9017.53 (8971.45) (Theoretical♠)
Day's high 9162.27 (9121.41) Low 9083.55 (9013.80) (Actual♠)

Standard and Poors	Apr 15	Apr 14	Apr 13	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1119.32	1115.75	1109.69	1122.70 (3/4)	927.69 (9/1)	1122.70 (3/4/98)	4.40 (1/6/32)
Industrials♥	1292.82	1286.92	1278.86	1308.33 (3/4)	1077.40 (9/1)	1308.33 (3/4/98)	3.52 (30/6/32)
Financial♥	140.22	140.63	140.45	140.63 (14/4)	110.85 (9/1)	140.63 (14/4/98)	7.13 (4/9/74)
Others							
NYSE Comp.	582.77	581.31	577.77	583.17 (6/4)	487.47 (9/1)	583.17 (6/4/98)	4.64 (25/4/42)
Amex Comp	742.46	739.86	738.32	747.19 (3/4)	646.41 (12/1)	747.19 (3/4/98)	524.20 (16/7/96)
NASDAQ Comp	1863.26	1843.03	1824.95	1863.26 (15/4)	1503.22 (9/1)	1863.26 (15/4/98)	54.87 (31/10/74)
Russell 2000	487.12	484.65	479.56	487.12 (15/4)	410.89 (12/1)	487.12 (15/4/98)	123.35 (7/12/93)

RATIOS

	Apr 3	Mar 27	Mar 20	Year ago
Dow Jones Ind. Div. Yield	1.56	1.59	1.57	1.97

	Apr 15	Apr 8	Apr 1	Year ago
S & P Ind. Div. yield	1.31	1.33	1.31	1.82
S & P Ind. P/E ratio	30.69	30.27	30.64	21.85

US DATA

MARKET ACTIVITY

● Volume (million)

	Apr 15	Apr 14	Apr 13
NYSE	685.020	613.730	598.300
Amex	24.785	23.188	21.358
NASDAQ	909.246	787.781	854.893

NYSE	Apr 15	Apr 14	Apr 13
Issues Traded	3,516	3,506	3,511
Rises	1,582	1,891	1,268
Falls	1,411	1,084	1,721
Unchanged	543	531	524
New Highs	274	280	174
New Lows	18	24	25

NYSE TRADING ACTIVITY

Volume : 686,020,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Compaq	17,535,100	28¾	+⅞
Seagate	7,125,100	28	+1¾
Philip Mrs	5,679,200	40¾	-¾
BayNetwks	5,018,800	25	+1¾
DuPont	4,911,800	77¾	+⅞
Cendant	4,870,800	36	-¾
Ford	4,788,500	49⅞	+⅞
Fannie Mae	4,482,300	60⅛	-1⅛
Unisys	4,330,700	21¾	+2¾
IBM	4,011,100	109⅞	+3⅛

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Owens Cn	41⅞	+5	+13.7
Commscope	16⅛	+1⅞	+12.9
Unisys	21¾	+2¾	+12.3
Pilgrims P	15¾	+1¾	+9.8
Downs			
Dimber St	19⅞	-3¾	-14.8
Schwab(C)	36½	-3⅛	-8.8
CompCr	11¾	-⅞	-6.5
Foron	23⅞	-1⅛	-6.2

NASDAQ TRADING ACTIVITY

Volume :909,246,000

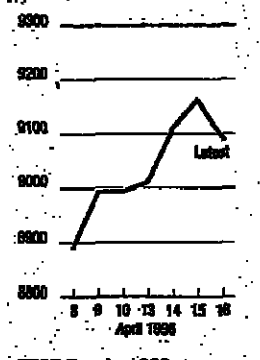
ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Intel	34,258,200	74¾	-1¾
CiscoSys	11,009,900	70⅞	+3
Microsoft	9,992,500	91¾	+2⅞
AscendCom	9,914,400	40¾	+¾
SunMic	8,800,200	42⅛	+2
WorldCom	8,203,900	44¾	+⅛
Dell Comp	8,203,700	67¾	-¾
ApplMat	7,733,300	37⅛	+¾
Altera	7,385,400	42⅞	+4⅛
Dig Micro	6,798,400	11⅛	-2⅛

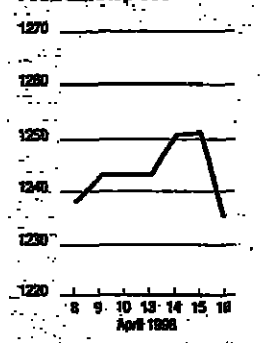
BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
TechData	47⅞	+8⅞	+22.7
CtlRec	11¾	+1¾	+17.5
StBarbra	64⅞	+8¾	+16.4
LinearTec	73⅞	+10	+15.8
Downs			
Dig Micro	11⅛	-2⅛	-15.7
CmptrLrn	10⅛	-1⅞	-14.2
SterlSftw	23¾	-2¾	-10.5
Vantive	34⅞	-3⅛	-8.1

Dow Jones



FTSE Eurotop 300



JAPAN

	Apr 16	Apr 15	Apr 14	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	15893.77	16299.30	16277.32	17264.34	14664.44	38915.9	85.25

Day's high: 16418.73. Day's low: 15875.07.

TOKYO TRADING ACTIVITY

Volume : 418,000,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Np Steel Cp	23,896,000	211	-11
Toshiba Cp	7,202,000	598	-17
NKK Cp	6,551,000	119	-4
Sakura Bk	6,474,000	447	-23
Nissan Mtr	5,751,000	408	-8
Fujitsu	6,292,000	1493	+4
Mitsbi Elct	4,782,000	348	-8
Sumo Mtl Ind	4,778,000	218	-12
Osaka Gas	4,418,000	286	+2
Kawasaki Stl	4,184,000	187	-5

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Nikken Chem	457	+39	+9.3
Olo Elct Cbl	295	+25	+9.3
Tokai Senko	152	+12	+8.6
Downs			
Shiridom	171	-37	-17.8
San Wave	405	-64	-13.7
Aichi Mach	300	-40	-11.8
Nitto Const	242	-30	-11
Fuji & Co	175	-20	-10.3

FRANCE

	Apr 16	Apr 15	Apr 14	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3845.94	3884.61	3867.66	3988.75	2862.54	3988.75	964.61

Day's high: 3885.44 Day's low: 3821.92

PARIS TRADING ACTIVITY

Volume : 428,328,828

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
France Tel	1,061,868	328.8	-8.8
Rhn-Pirc A	1,023,522	288.3	-4.2
Axa-UAP	988,154	729	-3
Bc Nat Paris	959,487	511	-15
Ass Gen Frn	957,379	385.8	-3
CSF	869,529	235	-3.7
Renault	648,758	274.8	-4
Total B	595,284	703	+18
Alcatel	484,809	1145	-5
Usinor	484,127	97.75	-0.15

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Chantr Fr-Dk	0.88	+0.8	+10
HF Co	392.1	+34.1	+9.8
Lacie	75	+6.5	+9.5
Clayeux	60	+4.85	+9
Downs			
Smoball	200	-79.9	-28.5
GTMH	72	-8	-10
Saga	163.4	-17.6	-9.7
Flammarion	260	-20	-7.1

GERMANY

	Apr 16	Apr 15	Apr 14	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	5324.14	5388.47	5374.78	5388.47	4087.28	5388.47	931.18

Day's high: 5392.28 Day's low: 5313.77.

FRANKFURT TRADING ACTIVITY

Volume . 19,795,445

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Deutsche Tel	1,908,718	43.9	+1.5
Lufthansa	939,282	40.35	+1.65
Commerzbk	818,108	72.75	-0.85
Daimler-Benz	707,285	190	-3
Bayer	583,042	81.8	-0.4
BASF	481,049	81.35	-0.1
Deutsche Bk	486,848	152.15	-0.85
Siemens	472,186	118.85	-2.75
RWE	378,953	78.25	-2.25
Veba	368,775	126.4	-1.1

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
KM Europa	260	+29	+12.6
Felten & Gm	209	+20.7	+11
Rinol	75	+4	+5.6
Downs			
WMF Wurtt	295	-45	-13.2
Bauzeh	71.9	-7.1	-9
Masag	164	-16	-8.9
Rheinmtll Pf	43.5	-3	-6.5
Berliner El	38.6	-2.4	-6.2

UK

	Apr 16	Apr 15	Apr 14	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	6002.0	6074.1	6104.1	6105.80	5068.80	6105.8	986.9

Day's high: 6074.1. Day's low: 5964.4

LONDON TRADING ACTIVITY

Volume : 763,300,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Dana Pet	35,178,878	21½	+¼
Signet	13,516,450	44	+¼
Norwich Un	13,242,650	465	-13½
Lloyds TSB	12,845,190	995	-68
Rentokil	12,670,680	394	-1
BG	12,206,800	290	
S'Nloe Bckm	11,364,360	725	-24
NFC	11,045,700	180	-½
Tamaris	10,975,040	2½	-½
Elec Boutique	9,603,567	77½	+5½

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Scotswood	11½	+2½	+27.8
Ionica	95½	+14	+17.2
Tepnel Life	50	+6½	+14.9
First Lnic	367	+30	+8.9
Downs			
Pace Micro	68	-14	-17.1
Voss Net	132½	-22½	-14.5
Waco	35	-5½	-13.6
Faupel	26	-4	-13.3

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	1127.90	1123.40	-4.80	1128.50	1123.30	92,984	345,858
Sep	–	1140.30	–	–	1135.00	209	10,339

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	16390.0	15850.0	-500.0	16450.0	15800.0	33,857	193,243
Sep	–	16300.0	–	–	16300.0	–	12,792

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	3843.0	3842.0	-43.0	3844.0	3832.0	422	35,984
May	3822.0	3828.0	-43.0	3822.0	3819.5	40	1,468

DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jun	5388.0	5300.0	-84.0	5404.0	5275.5	24,704	115,843
Sep	5429.0	5347.0	-71.5	5450.0	5331.0	42	17,045

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	3110.00	3045.00	-52.00	3100.00	3077.00	6,690	31,267
Jun	3070.00	3070.00	-	3070.00	3070.00	10	130

SOFFEX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	7621.0	7490.1	-120.9	7636.0	7473.0	9,728	14,004
May	7580.0	7456.1	-125.0	7595.0	7440.5	5,467	16,632

WORLD MARKETS AT A GLANCE

Country	Index	Apr 16	Apr 15	Apr 14	1998 High	1998 Low	✣ Yield	✣ P/E
Argentina	General	22325.92	22386.10	22361.78	23485.47 23/3	18237.40 2/1	2.8	19
✣Depressed by declines on Wall Street and Asian markets.								
Australia	All Ordinaries	2881.4	2870.5	2840.8	2881.40 16/4	2542.40 12/1	3.2	20.5
	All Mining	681.8	668.6	665.0	681.80 16/4	592.20 13/1		
Shares notched up a third consecutive record high as big miners led the way after copper bounded ahead.								
Austria	Credit Aktien	(u)	520.23	519.69	526.88 24/3	437.44 13/1	1.7	15
	ATX Index	1500.91	1503.15	1507.28	1549.42 6/4	1245.89 13/1		
Shares lost ground following directionless trade ahead of April futures expiry.								
Belgium	BEL20	3068.29	3082.08	3077.94	3082.08 15/4	2357.78 10/1	1.9	20.4
Shares ended a two-day record run on profit taking triggered by weakness on Wall Street and other European bourses.								
Brazil	Bovespa	12188.0	12299.0	12270.0	12299.00 15/4	9118.80 9/1	na	na
✣Lower in spite of lending rate cut by central bank as Wall Street weighed on sentiment.								
Canada	TSE 100♠	472.14	475.28	473.59	475.28 15/4	380.93 12/1	1.5	23.2
	Metals Mnls♠	4226.01	4259.98	4181.72	4389.01 10/3	3442.36 12/1		
	Composite♠	7769.40	7817.70	7780.50	7817.70 15/4	6238.96 12/1		
	Portfolio§§	3925.08	3947.87†	3939.50	3947.87 15/4	3234.41 12/1		
✣Shares declined pulled down by weak banking and gold shares.								
Chile	IGPA Gen♥	4685.77	4721.97	4745.79	4881.95 17/3	4243.47 27/1	2.6	15.8
✣Down on fears of selling by private pension funds due to higher short term interest rates.								
China	Shanghai B	53.92	53.78	54.26	59.58 10/2	40.89 12/1	0.8	45.5
	Shenzhen B	90.91	90.93	90.98	98.97 10/2	77.98 12/1		
Shenzhen's hard currency B index lower as newcomer Wuhan Boiler was marked down, reflecting gloomy outlook for industry.								
Colombia	IBB	1242.18	1241.39	1229.68	1431.46 7/1	1138.31 19/3	na	na
Czech Republic	PX 50	483.3	483.7	484.9	517.30 23/3	452.48 4/2	na	na
Denmark	CopenhagenSE	768.46	768.60	770.92	778.84 7/4	667.88 12/1	1.2	23.8
Declines in Carlsberg and Novo Nordisk pushed the index lower. Trading thin ahead of today's April futures expiry.								
Egypt	Cairo SE Gen	392.88	391.55	391.08	392.88 16/4	345.48 2/2	na	na
Shares higher on active buying by mutual funds.								
Finland	HEX General	4741.03	4754.34	4638.84	4754.34 15/4	3228.43 12/1	2.2	18.3
Market dragged down by decline in heavily traded Nokia.								
France	SBF 250	2484.42	2503.97	2494.75	2550.18 6/4	1873.10 12/1	2.4	18.4
	CAC 40	3845.94	3884.61	3867.66	3988.75 6/4	2862.54 12/1		
Shares were down on jitters ahead of Bundesbank's policy council meeting today.								
Germany	FAZ Aktien	1713.27	1735.61	1744.70	1744.70 14/4	1334.15 12/1	1.2	22.4
	Commerzbank	5069.70	5111.50	5118.80	5118.80 14/4	3928.29 12/1		
	DAX‡	5324.14	5388.47	5374.78	5388.47 15/4	4087.28 12/1		
Car shares led the decline in spite of a rise in first quarter output figures released by the industry association.								
Greece	Athens SE	2448.55	2339.28	2268.35	2448.55 16/4	1380.13 28/1	1.7	23.4
	FTSE/ASE 20	1459.58	1394.52	1349.12	1459.58 16/4	755.18 28/1		
Closed at a fresh high ahead of Orthodox easter holiday weekend.								
Hong Kong	Hang Seng	11187.78	11371.06	11420.34	11810.63 25/3	8121.06 12/1	3.6	11.7
	HSCC Red Chip	1619.13	1649.92	1630.61	1775.88 27/2	984.58 12/1		
Market marked lower, unnerved by weaker markets in Japan and profit-taking in index heavyweight HSBC.								
Hungary	Bux	8832.58	8827.98	8970.70	8970.70 14/4	7280.79 12/1	na	na
Shares edged higher thanks to strength in two leading chemical companies.								
India	BSE Sens.	4134.32	4192.50	(c)	4194.27 7/4	3208.55 28/1		
	Dolll 500	789.71	793.48	(c)	793.48 15/4	594.38 29/1	na	na
Profit taking ahead of the weekend left shares lower.								
Indonesia	Jakarta Comp.	510.07	513.445	516.10	554.18 2/2	342.97 9/1	2.0	17
Broad market closed lower after local investors actively pushed up some small stocks before taking profits ahead of close								
Ireland	ISEQ Overall	5404.55	5369.25	5294.85	5369.25 15/4	4054.76 2/1	1.8	19.4
Active overseas buying of Bank of Ireland pushed shares to a fresh record.								
Israel	Tel Aviv 100	(c)	312.83	313.47	315.58 13/5	263.12 11/2	na	na
Italy	BCI Comit 30	362.79	370.87	363.48	388.53 6/4	254.84 2/1	1.2	32.5
	Banca Com Ital	1598.11	1612.45	1589.65	1654.38 7/4	1022.35 2/1		
	Mibtel General	25176.0	25776.0	25342.0	26377.00 6/4	17206.00 3/1		
Overall market declined but some banking shares were buoyed by merger announcement of Credito Italiano and Unicredito								
Japan	Nikkei 225	15893.77	16299.30	16277.32	17264.34 2/3	14664.44 12/1	0.9	41.8
	Nikkei 300	240.69	245.73	246.00	257.43 10/2	224.85 12/1		
	Topix	1217.34	1241.45	1242.80	1300.30 10/2	1120.61 12/1		
	2nd Section	1322.93	1327.54	1326.20	1401.27 12/2	1173.78 14/1		
Disappointment over lack of strong statement over Japan's economy pushed shares lower.								
Jordan	Amman SE	(c)	169.78	169.82	172.33 3/3	164.54 30/1	na	na
Malaysia	KLSE Comp.	629.34	644.62	664.84	745.36 27/2	477.57 12/1	2.4	14.2
Mounting corporate worries sent shares and currency sharply lower.								
Mexico	IPC	4981.36	4991.04	4981.26	5204.00 2/1	4477.80 29/1	1.2	13.6
✣Shares dragged lower by Wall Street and Asia.								
Morocco	CNSA	761.59	750.57	742.85	761.59 16/4	666.57 21/1	na	na
Netherlands	CBS TtlRtnGen	1335.5	1356.0	1353.4	1377.10 6/4	1046.20 12/1	1.7	25.4
	CBS All Shr	764.0	775.7	774.3	788.20 6/4	599.20 12/1		
Shares closed lower on weaker futures and profit taking of financial shares.								
New Zealand	Cap. 40	2335.02	2328.0	2314.42	2350.02 20/3	2187.81 28/1	4.0	18.5
Market edged ahead as brewer Lion Nathan pushed up to all-time high of NZ$5.82 before easing back a touch.								
Nigeria	SE All-Share	6257.70	6246.66	6260.42	6504.97 11/2	2236.48 12/1	na	na
Norway	Oslo SE Ind	2330.96	2343.69	2323.06	2343.69 15/4	1898.91 13/1	1.4	18.6
Financials were lower although shipping shares bucked the trend and gained ground.								
Pakistan	Karachi SE	(c)	1603.16	1602.05	1748.31 2/1	1582.20 12/1	na	na
Closed for public holiday								
Peru	Lima Gen	1801.25	1804.90	1794.15	1894.90 15/4	1552.68 25/2	na	na
Philippines	Manila Comp	2184.55	2210.57	2222.04	2311.42 25/3	1618.80 9/1	1.2	15.3
Warning from Ayala Land that it expected sharp drop in first quarter net income sent broad market lower.								
Poland	WIG	17475.8	17466.4	17474.5	18582.70 11/3	13228.80 12/1	1.2	14.4
Portugal	BVL 30	6037.23	6098.31	6034.04	6098.31 15/4	3879.27 2/1	0.9	45.6
	PSI 20	13962.43	14166.40	14015.97	14166.40 15/4	8831.84 2/1		
Overall market fell but Banco Mello gained over 10 per cent and Impeno gained 9 per cent.								
Russia	RTS	319.83	313.12	308.65	411.81 5/1	266.88 29/1	na	na
Shares rose across the board but almost half the turnover was concentrated in United Energy System.								
Singapore	SES All-S'pore	389.27	396.35	401.88	437.98 19/3	324.92 12/1	2.2	16.3
	Straits Times	1515.15	1543.94	1561.56	1698.75 19/3	1073.47 12/1		
Banks and property companies were actively sold, plagued by worries over the health of some Malaysian companies.								
Slovakia	SAX	136.64	134.16	134.44	182.48 5/1	132.43 4/2	na	na
Shares closed mixed with oil refiner Slovnaft pushing the SAX index slightly higher								
South Africa	JSE Gold	923.0♥	934.9	942.1	971.00 6/4	672.60 16/3	2.3	15.1
	JSE Indl.	9673.4♥	9681.3	9506.2	9681.30 15/4	6715.10 12/1		
Market ended slightly higher after an up-and-down day: Golds were particularly weak.								
South Korea	KoreaCmpEx**	454.15	467.87	467.63	574.35 2/3	398.49 5/1	1.1	20.5
Start of strike which halted production at Kia Motors, and yen's weakness, combined to send market lower.								
Spain	Madrid SE	900.06	903.28	917.45	938.83 6/4	645.14 12/1	1.6	28.9
Stocks pared losses in the afternoon to end slightly lower but dealers expect a rebound today given strength in futures								
Sri Lanka	CSE All Share	723.20	710.80	(c)	723.20 16/4	666.90 26/1	na	na
Heavy buying of Sampath Bank and John Keels Holdings triggered gains in most blue chips.								
Sweden	AffarsvardsGen	3717.6	3760.0	3718.2	3760.00 15/4	2853.10 13/1	1.7	26
Prices closed down after a weak performance was accentuated by heavy falls on Wall Street.								
Switzerland	SMI Index	7500.1	7616.3	7662.8	7827.70 6/4	6062.10 12/1	1.0	30.6
	SPI General	4681.89	4744.75	4761.78	4847.72 6/4	3781.36 12/1	na	na
Shares closed sharply lower as the opening fall on Wall Street weighed on stocks.								
Taiwan	WeightedPr.**	8780.21	8807.31	8764.58	9277.09 2/3	7375.14 13/1	1.1	23.5
Early gains eroded as trend-setting electronics encountered selling pressure on worries about second quarter outlook.								
Thailand	Bangkok SET	431.83	(c)	(c)	558.92 3/2	338.17 12/1	2.5	31.2
Sustained worries about regional economic worries sent market sharply lower.								
Turkey	IMKB Nat 100	4054.38	3821.75	3662.99	4054.38 16/4	2777.88 10/2	2.8	33.3
The index closed at a record high amid growing hopes for short-term political stability.								
Venezuela	IBC	6531.57	7129.86	7307.39	7658.92 23/3	6305.67 27/1	na	na
Zimbabwe	ZSE Industrial	8212.80	8194.98	8172.02	8765.21 31/3	7649.19 23/1	na	na
WORLD	FT/S&P World($)	(u)	296.57	295.75	296.57 15/4	243.98 9/1	na	na
	MS Capital IntS	1082.1*	1097.2	1094.5	1094.80 15/4	888.50 12/1	na	na
CROSS-BORDER	DJ Stoxx 50	3302.80	3345.55	3351.81	3388.88 6/4	2574.81 12/1		
	DJ Euro Stx 50	3251.87	3288.71	3283.05	3345.88 6/4	2466.81 12/1		
	FTSE E300	(u)	1251.49	1251.38	1263.83 6/4	971.93 12/1		
	FTSE E100	(u)	2873.93	2887.27	2928.86 6/4	2236.40 13/1	na	na
	HSBC JC Drgn	(u)	260.25	261.78	273.91 26/3	189.25 12/1	na	na
	ING Bngs Emrg	(u)	160.05	158.38	160.05 15/4	125.19 12/1	na	na

** Sat Apr 11. Taiwan Weighted Price Idx; Korea Comp Ex 480.83. §§ Montreal. ♠ Toronto. (c) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: Apr 16: 5262.87 -65.27. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ✣ Yields and P/E ratios are based on Datastream Total Market Indices. ✣ Millsession.

THE NASDAQ STOCK MARKET

4 pm close April 16

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
ACC Corp		159	2230	u55½	53½	54⅞	+⅞
Acclaim E			4853	6¼	6⅝	6⅝	-⅞
Acxiom Cp		42	828	25⅞	24	24⅞	-1
[illegible]							

THE NASDAQ STOCK MARKET

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

AMEX PRICES

4 pm close April 16

Stock	Div.	P/E	Vol 100s	High	Low	Close	Chng
[illegible]							

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$2.75		12200	8.125	2.25	Gruppo Formula	ITL38000	+850	54247	37750	14250
Algol✣	ITL20750		2500	23750	12450	Innogenetics	US$61.5	+5.125	113733	56.625	9.875
Artwork Systems	US$13.625	+0.875	122415	13.375	5.875	Integr. Sam. Syst.✣	DEM9.6		2000	12.1	6.6
Chemunex✣	FFr16.5		10000	17.5	9	Lernout & Hauspie	US$101.375		29811	103.5	25
City Bird Holding	US$8	-0.125	36000	10.3125	6.8125	Melexis	US$14.625	-0.188	172540	16.25	7.1875
Debonair Holdings	GBP2.1		22913	7.15	1.7	Mercer Int'l✣	US$9.75	-0.250	0	12.875	8
Dr Solomon's	US$30.375	+1.25	4470	46.25	20.375	NTL	US$40.875		0	45.5	28.5
EDAP TMS	US$8.5	-0.125	0	9.125	5.625	Opsion Int'l	US$56.5	+4.75	21926	51.25	10.375
ESAT Telecom	US$30	+0.625	375	29.75	13.25	PixTech✣	US$5.375	+0.375	5710	7.625	2.125
Espace Prod. Int.	FFr104.05	-0.280	1000	117	88.83	Royal Olympic	US$18.5	+1.25	110	17.25	13.825
Esprit Telecom	US$17.25		700	19.25	4.875	Schoeller-Bleckmann✣	Sch1588	+15	3433	1690	800
Global TeleSystems	US$40.875		572	49.125	24.5	Topcall Int'l✣	Sch14100	-175	1994	14450	3065
Stanger Telecom	US$24.75	+3.825	151854	21.125	13.5	Turbodyne Technol.✣	US$5.9	+0.1	55540	6.25	2.1

Prices for 16/4/98. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at http://www.easdaq.be EASDAQ offices are located in Brussels (Tel: 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9990)
Annual/interim reports can be obtained for companies with a ✣ marked in this box. For further details please see London Share Service pages.

STOCK MARKETS

Bourses' discontent with G7 halts bull run

WORLD OVERVIEW

Equity markets expressed their dissatisfaction with the statement from the G7 finance ministers by bringing a halt to the recent bull run, *writes Philip Coggan*.

The statement expressed support for the yen but promised no concerted intervention in the markets.

The Nikkei 225 average dropped more than 400 points on the lack of action about the yen and the failure to produce any further stimulus to the economy.

Peter Chambers, managing director, investment strategy at *HSBC Securities, said*: "There's not much else the G7 could do. No-one in the world wants the Japanese currency to get weaker but there's not much of an economic argument for a stronger yen."

After their rally in the first quarter, the evidence of economic and corporate weakness has recently started to bear down on other Asian markets.

The Korean market fell nearly 3 per cent in the face *of the strike at Kia Motors*; the Malaysian bourse dropped 2.4 per cent on fears of mounting corporate failures. Investors fear that a lot of bad news is yet to come.

The asset allocation team at Salomon Smith Barney is underweight emerging Asia. "Valuations, which were compelling a few months ago, have lost their allure following market rebounds in January and February and downward revisions to earnings and earnings forecasts in *several* countries," the team said.

European markets might have managed to shrug off Asian weakness were it not for a poor start on Wall Street, where the Dow Jones Industrial Average suffered an initial bout of profit-taking after its recent record-breaking run past the 9,100 level. But Paris and Frankfurt both fell 1 per cent while Zurich dropped 1.5 per cent; Athens and Istanbul bucked the trend to record all-time highs.

"The risks to owning equities have gone up," admits the global strategy team at Goldman Sachs, who have been consistently bullish.

"Current equity valuations are implicitly pricing in high returns on equity capital at the same time as bond yields remain at a low level for a long time. The risks are that this assumption is ultimately disappointed."

"Nevertheless, we are still overweight equities versus bonds," adds the team.

"We feel that an equity market correction would probably come from rising bond yields but the economic backdrop looks like keeping bond yields low for some time yet. We remain on alert."

London market, Page 34
Currencies, Page 27

Dow gives back some of week's gains

AMERICAS

US shares went along with the lower trend seen in other markets in morning trade, giving back some of the gains made earlier in the week, *writes John Labate in New York*.

By early afternoon, the Dow Jones Industrial Average had lost 81.46 to 9,080.81, while the Standard & Poor's 500 was down 10.77 to 1,108.55.

"It's a normal pull back day," said Larry Wachtel, market analyst at Prudential Securities. "With the Dow up almost 200 points in the past *four days, it's going to hit* the wall sooner or later."

In the Dow, Merck lost $3 11/16 to $119 13/16 after releasing earnings in line with expectations. American Express was down $2 7/16 to $101 9/16.

Cendant, the direct marketing company, was at the centre of attention. It plunged more than 47 per cent or $16 13/16 to $19 1/16 in response to Wednesday's announcement that possible accounting irregularities might force the company to restate earnings. Cendant's warning spilled over to American Bankers, which it had recently planned to *acquire. American Bankers* fell more than 9 per cent or $6¼ to $58⅞.

The technology sector *weakened and the Nasdaq* composite fell 6.65 to 1,856.61. Semiconductor shares were generally lower, sending the Philadelphia Stock Exchange's chip index down 4.01 to 303.97. Micron Technology lost $1⅞ to $28⅝, but Texas Instruments gained $1 7/16 to $58 after it announced sharply lower earnings but said it expected an improvement this year.

Apple Computer rose $1 1/16 to $28½ after the company topped earnings expectations late on Wednesday. But other computer makers were mixed, with Compaq down $⅛ to $26¼. In the internet *sector*, E*Trade *fell* $ 7/16 to $21¼ and Ameritrade lost $ 13/16 to $24 7/16 after online broker Charles Schwab said its margins were hurt by its internet business.

The Russell 2000 of small cap shares was down 2.24 to 484.88.

TORONTO was lower at midsession with the TSE-300 composite index down 45.55 at 7,772.10 in volume of 34.1m shares.

Banks were weak on concerns about a near-term Bank of Canada rate rise and waning speculation about the possibility of a merger in the sector. Canadian Impe*rial Bank of Commerce fell* 90 cents to C$55.50 while Toronto Dominion Bank was 55 cents lower at C$70.90.

Mexico City falls back

MEXICO CITY lost ground on profit-taking after two consecutive days of gains. Weakness on Wall Street and Asian markets also hit shares and the IPC index fell 15.12 to 4,975.92.

SAO PAULO retreated in spite of a cut in monthly lending rates by the central bank on Wednesday.

The Bovespa index fell 107 to 12,192 as the decline on Wall Street dampened sentiment.

The central bank lowered its prime rate to 23.25 per cent from 28 per cent, in line with expectations. Telecommunications group Telebrás lost R$2.01 to R$146.99 ahead of its options expiry.

BUENOS AIRES lost some marginal ground ahead of *the options expiry. The Mer*val index slipped 1.06 to 682.

Johannesburg edges higher

SOUTH AFRICA

Johannesburg displayed some resilience in the face of falling markets elsewhere and the overall index edged 1.5 higher to 8,201.4, a third consecutive record high.

Industrials eased 0.1 per cent to 9,673.4 and golds were 1.3 per cent lower at 923. The heavily traded De Beers, and Anglo, which each rose 480 cents to R131.60 and R227.60, helped the market higher. Overseas demand sent Barlows 130 cents higher to R48.60.

Banks climb as Milan drops

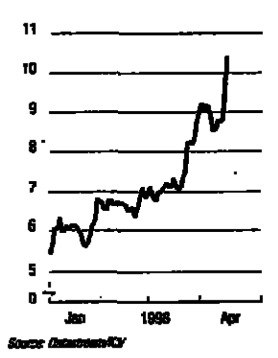
EUROPE

Futures-related selling and the early retreat on Wall Street sent **MILAN** lower, though much of the day's interest focused on banking shares following the *announcement of Credito* Italiano's merger with Unicredito.

The Mibtel index closed down 598 or 2.3 per cent to 25,178 although Credito Italiano surged L845 or 8.9 per cent to close at L10,377 after jumping more than 10 per cent at one stage.

Expectations that the merger would speed up the consolidation process of the Italian banking industry boosted some other banking stocks. Banca di Roma rose L117 to L3,224 while BCI gained L29 to L9,515.

Credito Italiano
Share price (lire '000)



Source: Datastream/ICV

Mediobanca, which is 25 per cent owned by Credito, *fell on profit-taking for the* third consecutive day, losing L1,734 or 6.3 per cent to L25,943.

ZURICH lost 1.5 per cent, weighed down by Wall Street, profit-taking and a lack of follow-through buying. The SMI index fell 116.2 to 7,500.1.

The financial sector was under pressure with UBS down Fr65 to SFr2,507 and its merger partner SBC SFr14 lower at SFr542.

Interest rate worries and profit-taking put pressure on CS Group, down SFr9.50 to SGFr318, while insurer Zurich Group fell SFr15 to SFr917 *arter its recent sharp* rise.

Baloise, a perennial beneficiary of as yet unfounded merger speculation, shot up SFr72 to SFr3,402.

Pharmaceuticals and chemicals were *hit* by *US* selling. Roche certificates lost SFr300 to SFr15,100 and Novartis was down SFr30 at SFr2,5829. Ciba, which reported sales figures up 4 per cent in the first quarter fell SFr3.50 to SFr191.50.

But Ares Serono jumped SFr139 to SFr2,299 after reporting net income rose 12 per cent in the first quarter. It was also optimistic about sales for the rest of 1998.

Holderbank dropped SFr59 to SFr1,631 after gaining about 6 per cent since the start of the week.

FRANKFURT was lower in late electronic trade that left the Xetra Dax below 5,300 points. The index finished 66.27 lower at 5,292.97 with weakness seen in the insurance sector as investors took profits on recent sharp gains.

Allianz fell DM12.70 to DM592.25 while Munich Re lost DM17.25 to DM932.75.

Mannesmann also saw hefty profit-taking after Wednesday's gains, which followed the company's earnings press conference. The shares lost DM47 to DM1,514.

PARIS was lower for the *fifth time in six trading days* as the market consolidated after its near 30 per cent rise since the start of the year. The CAC 40 index fell 38.67 to 3,845.94.

BNP, down FFr15 or 2.9 per cent to FFr511, Eridania, FFr48 or 3.8 per cent lower at FFr1,221 and Pinault Printemps, which dropped FFr150 or 3.4 per cent to FFr4,205, all weighed on the index.

Motor components manufacturer Ecia and institutional caterer Sodexho Alliance bucked the lower trend. Ecia gained FFr115 or 6.9 per cent to FFr1,780 on the back *of consolidated first-quarter* earnings.

Speculators bid up Sodexho Alliance in anticipation that it will soon be included in the CAC 40 in place of Havas. Sodexho rose FFr60 or 5.6 per cent to FFr1,130.

AMSTERDAM was dragged down by options-linked activity and the AEX index fell 20.24 or 1.7 per cent to 1,157.10.

Options-linked selling hit financial stocks. ABN Amro fell Fl 1.90 to Fl 52.40 while ING lost Fl 3.70 to Fl 135.70.

MADRID edged down on light profit-taking with the general index losing only 3.22 to 900.06.

Telefónica rose Pta70 to Pta6,750 but Bankinter lost Pta510 or 4.7 per cent to Pta10,330 on disappointing first quarter results. JP Morgan removed the shares from its preferred stock list, also weighing on sentiment.

MOSCOW forged 2.1 per cent higher in active trading in spite of a heavy round of profit-taking late in the session on fears that the Duma would once again reject President Boris Yeltsin's nominee for prime minister today.

The RTS index closed 7.28 higher at 319.83.

ISTANBUL climbed another 6.1 per cent as hopes continued to grow for short-term political stability.

The IMKB National-100 index ended 232.63 higher at a record 4,054.38, supported by a pledge from opposition leader Deniz Baykal to maintain backing for the minority coalition government in the near term.

Volume shot up to an all-time high of TL186,760bn, compared with the previous high of TL128,820bn set on October 20 last year.

ATHENS extended its record-setting streak, sending the general index up 4.7 per cent to above 2,400 points on growing capital inflows and a positive privatisation outlook.

News that National Bank planned to merge with its subsidiary, National Mortgage Bank, came after the market closed.

Analysts said, however, that, coupled with the government's firm stance on speeding up privatisations, the National Bank group merger practically wiped out the chance of a market correction in the near-term.

The general index jumped *109.27 to another all*-time high of 2,448.55. The construction sector was awakened from its recent lethargy, advancing 7.4 per cent, followed by banks and industrials which marched 4.6 per cent and 4.5 per cent higher.

Written and edited by Michael Morgan, Emiko Terazono and Peter Hall

FTSE Actuaries Share Indices — European series

April 16

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1235.53	−1.28	−15.96	1.89	5.50	1251.07
FTSE Eurotop 100	2840.06	−1.18	−33.87	-	-	-
FTSE Eurotop 300 Regions						
300 UK	1200.40	−0.87	−10.57	2.76	11.73	1233.18
300 Ex-UK	1256.20	−1.49	−19.04	1.43	1.98	1261.50
300 Eurobloc	1237.16	−1.29	−16.23	1.61	2.25	1244.32
300 Ex-Eurobloc	1237.30	−1.26	−15.81	2.10	7.84	1258.78
FTSE Eurotop 300 Economic Groups						
Resources	1017.18	−0.06	−0.63	2.70	3.82	1035.54
General Industries	1169.86	−1.02	−12.04	1.78	5.42	1178.51
Consumer Goods	1158.11	−1.52	−17.91	1.58	5.32	1177.04
Services	1183.21	−0.61	−7.22	1.87	5.07	1197.88
Utilities	1331.80	−0.54	−7.19	3.33	1.84	1349.96
Financials	1411.54	−2.08	−29.92	1.75	7.51	1428.00

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EMERGING MARKET FOCUS

Argentina given benefit of doubt

An IMF mission, which left Buenos Aires last week, flagged Argentina's rising trade deficit as an area of serious concern and offered detailed prescriptions to cool the *domestic economy*.

But economy minister Roque Fernandez politely declined the mission's advice and reiterated the government's litany that the trade deficit was healthy, with record foreign investment fuelling capital goods imports which would ultimately benefit the economy.

In the absence of any big corporate moves, investors have been left pondering these two very different diagnoses. The local media have picked up the debate with glee and every commentator in town has been wheeled out to opine on whether Argentina is motoring along nicely after last year's 8.4 per cent growth, or careering towards the abyss.

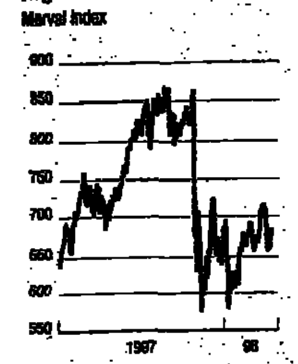
Economy ministry and central bank officials appear unruffled. "Our policy is one *of total transparency*," said one official. "All the information is out there, so it's up to investors to decide."

For the time being, investors appear willing to give them the benefit of the doubt. Although last week saw nervous selling in the stock market, it never developed into a rout. The tone has been firmer recently, helped by some crumbs of comfort from Michel Camdessus, IMF managing director, who made clear that Argentina's relationship with the IMF remained intact.

"The consensus among investors *is* that the *IMF* demand to cool the economy is not justified," said Roberto Guevara of Caspian Securities. "But they like the fund keeping up pressure for structural reform, especially on the labour front."

The Merval leading share index edged back early yesterday after advances in the previous four sessions. Little changed from last year's closing levels, the *Merval* has missed out on double-digit percentage rises registered in other markets, including São Paulo.

Argentina
Merval index



Source: Datastream/ICV

With foreign investors either absent or net sellers, the market has struggled to recover its pre-Asian crisis dynamism. However, Argentina's private pension funds, AFJPs, continue steadily to buy up their favourite stocks, at least establishing a floor under the market. In March, the AFJPs invested $140m in stocks, Caspian estimates, sharply up on the recent monthly average.

What would it take to tempt the foreigners back? "I think we will see some better trade figures later this year and the deficit fears will start to ease," said Christopher Ecclestone of brokers, Interacciones.

It could also bring some more supply to the market. There is a potential $6.1bn of new equity issues in the pipeline this year, Caspian estimates, against a total *market capitalisation of* $57bn. The offerings comprise the sale of remaining government and employee stakes in privatised companies, new privatisations, plus IPOs and rights offerings. But until the market sparks back into life, the big ones will have to wait.

Ken Warn

Nikkei tumbles below 16,000

ASIA PACIFIC

Disappointment that the meeting of G7 officials in Washington did not produce a stronger statement on Japan sent **TOKYO**'s Nikkei 225 index below the 16,000 line for the first time since April 7, *writes Gillian Tett in Tokyo*.

The Nikkei fell 415.53 or 2.6 per cent to 15,883.77, after trading between 15,875.07 and 16,416.73.

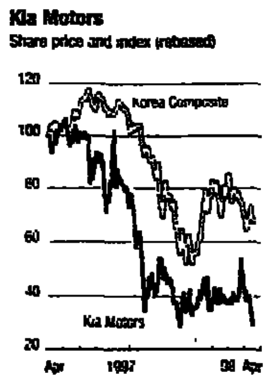
Volume on the first section came to an estimated 400m shares, sharply up from Wednesday's 280m.

The broader-based Topix index fell 24.11 or 1.9 per cent to 1,217.34 and the OSE index fell 271.72 or 1.6 per cent to 16,482.25.

Market traders had hoped that the G7 would put pressure on Japan to implement further economy-boosting measures and hence help to boost Tokyo stocks. Stocks were also dragged down by yen weakness after G7 officials repeated they *would* monitor developments in the currency market, rather than actively intervene to support it. Of the 1,328 issues listed on the first section, losers outnumbered gainers 939 to 207, while 110 issues remained unchanged.

The construction sector *fell: Taisei dropped* Y17 *to* Y313, Obayashi Y31 to Y620, Shimizu Y19 to Y409, and Nishimatsu Construction Y24 to Y573.

Kia Motors
Share price and index (rebased)



Source: Datastream/ICV

The banking sector also showed some sharp falls: Industrial Bank of Japan lost Y36 to Y860, Fuji Bank Y38 to Y740, Sakura Bank Y23 to Y447, and Bank of Tokyo-Mitsubishi Y30 to Y1,620.

The only industrial sector *that rose was airlines*. All Nippon Airways and Japan Airlines each rose Y2 to Y550, and Y417 respectively.

SEOUL lost nearly 3 per cent, depressed by the start of strike action which halted production at Kia Motors. The composite index fell 13.72 to 454.15 as Kia plummeted Won610 or 11.5 per cent to Won4,690. Its affiliate, Kia Motor Sales, lost Won110 to Won2,200. Worries that the Kia strike might ignite similar moves at other corporations depressed sentiment.

Exporters also lost ground as the yen weakened. Disappointment over the absence of an agreement to prop up the yen at the G7 meeting triggered selling of blue-chip industrials. Samsung Electronics fell Won3,100 to Won68,600 and Pohang Iron and Steel Won1,300 to Won61,700.

BANGKOK *tumbled* 3.3 per cent on sustained regional economic worries and in line with falls elsewhere in the region. The SET index lost 14.50 to 431.63 as the market returned from a three-day trading holiday, with investors also gloomy about forthcoming first-quarter corporate results.

KUALA LUMPUR lost 2.4 per cent on fears of an *increase in corporate fail*ures. The composite index lost 15.28 to 629.34 as weak business confidence figures unnerved investors. The business conditions index for the first quarter, covering 600 manufacturing companies, fell to the lowest level since it started in 1987.

SINGAPORE was marked almost 2 per cent lower on fears of instability in the Malaysian corporate sector. The Straits Times Industrials index fell 28.79 to 1,515.15.

Banks and property companies were sold off in active trading. The finance index fell 2 per cent with DBS down 25 cents to S$7.7 while OUB fell 14 cents to S$4.64.

HONG KONG was unnerved by weaker markets in Japan. While the market managed to trim some of its early losses, which took the Hang Seng index to a low of 11,110.59, *the measure still closed* 183.28 or 1.6 per cent lower at 11,187.78.

HSBC lost HK$9 to HK$238 as the market mulled comments by John Strickland, an executive director, that the bank had not altered its expansion plans as a result of recent bank mergers in the US.

MANILA slipped as Ayala Land forecast a 40 per cent-*plus drop in first-quarter* profits. The composite index was lower for a second day, losing 26.02 to 2,184.55.

Ayala Land picked up from a low of 17.25 pesos to close unchanged at 17.75 while its parent company, Ayala Corp shed 50 centavos to 17.50 pesos.